

AR36

OUR  
FIFTIETH  
YEAR  
ANNUAL  
REPORT  
1969

50

ITT





## SERVING PEOPLE AND NATIONS EVERYWHERE

The wrap-around cover of this report is a representational photograph projecting the dynamism of ITT—past, present and future. The technique, known as Neutronography, was developed and named by Russ Rypsam, A.W.S., exhibiting painter, photographer, and past president of the famed Salmagundi Club of New York.

On June 16, 1970, ITT will mark its fiftieth anniversary as an international U.S. enterprise—fifty years young.

Long before that date, however, your Company has been moving into its second fifty years—anticipating the future by continuing to build today for a better tomorrow.

ITT's consistent record of growth during the Sixties was the outcome of long-range planning by our management teams, based on an awareness of mankind's evolving aspirations and demands.

As a result, ITT has become tomorrow's company today—strongly positioned to





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## Annual Meeting

The annual meeting of stockholders will be held Tuesday, May 19, 1970 at 2:00 p.m. local time, in the Sheraton-Lincoln Hotel, Houston, Texas. Formal notice of the meeting, the proxy statement and proxy will be mailed on March 30, 1970, to each stockholder of record March 20, 1970.

meet successfully the challenges of the remaining thirty years of the Twentieth Century—and beyond.

The next fifty years will be inevitably years of change. Science and technology will step up exploration of the earth's surface and interior... the upper atmosphere... outer space... and ITT is ready now to take a leading part in this unfolding chapter.

Communication between man and man, ITT's earliest sphere of activity and still a major one, assumed new dimensions during the Sixties. Communication—both vocal and visual—became possible not only between man on the ground and

man in a capsule, hurtling around the earth at five miles a second, but even between man on the ground, man circling the moon a quarter of a million miles away, and man landing on the moon's surface to walk, wonder, and joke. As ITT's inventions, products, and skills were indispensable to the Gemini and Apollo flights of the 1960's, they will be pivotal elements in the inevitable extension of cosmic navigation and communication to Mars and other planets during the next half century.

The contours of mankind's intellectual and spiritual life of the next fifty years are less clear than the physical. But the

earth on which that life is lived will be an earth transforming itself as rapidly through the social and behavioral sciences as through technology. The Company's involvement in publishing, educational and recreational services, no less than in the construction and management of planned communities, is already shaping the ITT of the future.

As our Company looks ahead to its next half-century, it possesses the experience, the perspective, the resilience, the flexibility, and the sense of responsibility toward the human environment to use its vast resources of people and technology for improving man's life.



## To Our Stockholders



In 1969, International Telephone and Telegraph Corporation surpassed all previous sales and earnings records for the tenth consecutive year, thus concluding the Sixties as the most significant decade in the history of your Company.

Our 1969 performance was achieved during a period of uncertainty and stress in significant sectors of the national economy. It demonstrated therefore the soundness of your management's concept in 1959 that ITT should broaden its base, through planned expansion and selective diversification, into areas that possess profitable growth potential and resistance to cyclical changes in the economy.

For the first time, in 1969 consolidated sales and revenues exceeded \$5 billion. Worldwide totals reached \$5.5 billion, an increase of 16% over 1968 sales and revenues of \$4.7 billion. Significantly, more than \$2 billion of 1969 consolidated sales and revenues were derived from our consumer-oriented operations, reflecting management's continuing objective of bringing into balance our manufacturing and service activities.

Consolidated net income rose to \$234 million, an increase of 15% over restated net income (before extraordinary items) of \$204 million in 1968.

Earnings per common share, after recognition of all common stock equivalents, were equal to \$2.90 per share, an increase of 11% over restated 1968 earnings (before extraordinary items) of \$2.62 per share.

Moreover, we continued in 1969 our unbroken history of year-to-year increases in sales, net income, and earnings per share to 42 consecutive quarters, a unique record among U.S. companies of comparable size.

For the sixth time in the past six years the dividend of our common stock was raised last December. The current annual rate is \$1.05 per share, compared with 50 cents in 1963.

All figures for 1969 include the operations of Canteen Corporation, engaged in the vending and service of food to institutions, and Grinnell Corporation, producer of pipe fittings, power piping and automatic fire protection systems. Comparable figures for 1968 have been restated to include these companies on a pooling of interests basis.

The proposed tender offer for Hartford Fire Insurance Company is now pending before the Insurance Commissioner of the State of Connecticut, who held new hearings on the proposal beginning March 10. Your management feels the acquisition of Hartford, the nation's sixth largest property and casualty insurance group, would be in the best interest of the shareholders of both companies and intends to press vigorously through appropriate channels to consummate the merger.



Earnings from U.S. and Canadian sources in 1969 accounted for approximately 55% of total consolidated earnings, compared with 60% in 1968. As recently as 1964 only 30% of our earnings came from these sources.

Our consumer-oriented service areas accounted for 39% of the Company's worldwide consolidated sales, compared with approximately 15% as recently as six years ago. This growth reflects the success of our planned program to expand operations into service-oriented fields while simultaneously increasing the scope and volume of our traditional manufacturing operations. Service operations accounted for 26% of the Company's total earnings.

As the world's second largest manufacturer of telecommunications equipment and the largest outside the United States, our telecommunications manufacturing operations in 1969 accounted for 19% of worldwide sales, and 21% of earnings.

Industrial and consumer products again established new records in sales and earnings, accounting for 28% of sales and 28% of earnings.

Natural resources, in which we became active in 1968 when Rayonier and Pennsylvania Glass Sand joined the ITT System, accounted for 5% of sales and 11% of earnings.

Our defense-space activities produced improved profit margins over their 1968 levels, and we expect to continue as an active participant in this field both in the United States and overseas.

Our manufacturing order backlog alone, which does not reflect the additional volume of our service operations, reached a new high of \$1.9 billion at the end of 1969, compared with \$1.6 billion at the end of 1968.

Last year our expenditures for plant and equipment climbed to a record level of \$513 million, compared with their 1968 level of \$400 million. Approximately 63% of these expenditures were financed through retained earnings and depreciation.

On a worldwide basis, total number of ITT employees in 1969 reached the 353,000 mark.

In 1969, we made significant progress in positioning and preparing the Company to meet the challenges of the next fifty years. We widened the variety of our service-oriented activities which now include communications, hotels, auto rentals, financial services, life insurance, data services, building and land development, food processing, and educational services. We also extended our Systemwide programs of social-environmental relations, which are summarized for the first time in this annual report.

As change and diversification in people's needs and aspirations will increasingly become the dominant characteristics of life in the future, so must a company change and diversify if it is to succeed

in meeting these needs. ITT is such a diversified company today. Because of our diversification we contribute to the continued growth of our economy and our society in a number of ways:

- ▶ By responding to competitive pressure to offer the consuming public what it seeks, we add to the abundance of our national standards of living.
- ▶ Our diversity helps to stabilize our performance and so contributes to steady employment.
- ▶ By meeting changing market needs as the primary basis of selecting our areas of business activity, we maximize the efficient use of the scarce resources of the economy.
- ▶ Our competitive structure emphasizes individual performance, providing greater opportunity for employees to rise in the organization on merit.
- ▶ Our managers have proved to be acutely aware of the need for business to be more responsive to the broad social goals of the country.

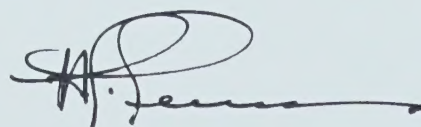
On December 10, 1969, your Board of Directors accepted with regret the resignation of their fellow member, Mr. Hugh Knowlton, who served the Company with distinction for twenty-five years, the longest continuous term of service of any present board member. Alvin E. Friedman, a partner in the firm of Kuhn, Loeb & Co., succeeds Mr. Knowlton.

While 1970 will unquestionably be a difficult year for the U.S. economy, management is dedicated to achieving another year of growth for ITT. As we approach our Company's 50th anniversary on June 16, we look ahead with confidence because we have built securely for our future; and we have set and surpassed increasingly higher standards of performance in each of our five-year growth programs.

Since 1959, we have completed two five-year plans for growth and are now beginning our third. During this period we have become a unique worldwide operating organization, geared and professionally qualified to fulfill its purpose: serving people and nations everywhere. Moving into our second half-century, we feel that we are a company that is truly fifty years young!

On behalf of the Board of Directors, I want to thank the men and women of the ITT System for their contributions to our record growth in 1969.

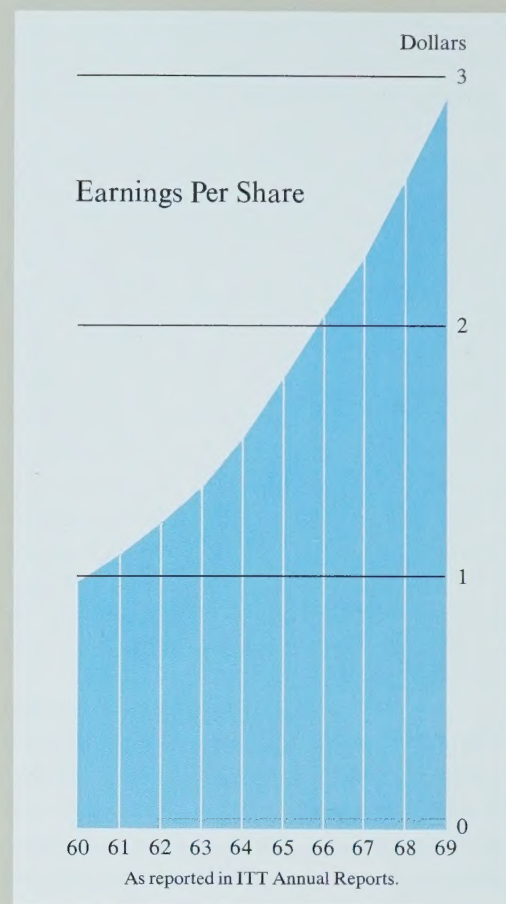
For the Board of Directors.



March 11, 1970

Chairman and President





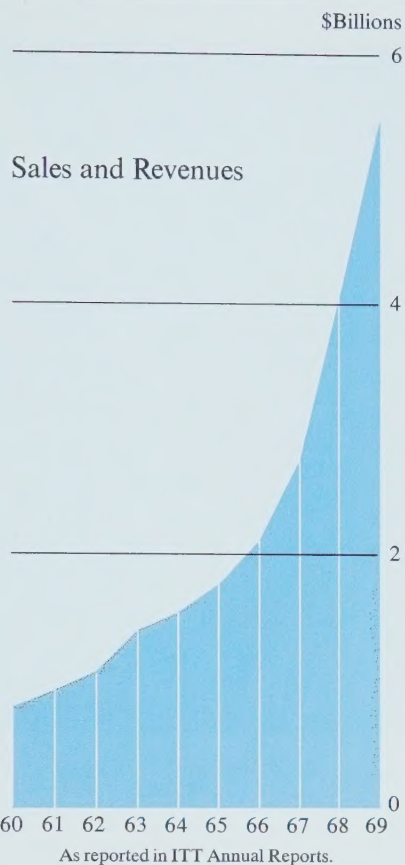
## Highlights

	1969	1968*
Sales and Revenues . . . . .	\$5,474,743,000	\$4,724,355,000
Income before Extraordinary Items . . . . .	\$ 234,034,000	\$ 203,816,000
Per Share of Common Stock** . . . . .	\$2.90	\$2.62
Net Income . . . . .	\$ 234,034,000	\$ 216,058,000
Per Share of Common Stock** . . . . .	\$2.90	\$2.79
Dividends per Share of Common Stock . . . . .	\$ .97½	\$ .87½
Gross Plant Additions . . . . .	\$ 513,200,000	\$ 400,420,000
Plant, Property and Equipment, less Accumulated Depreciation . . . . .	\$2,211,478,000	\$1,941,434,000
Orders on Hand (Manufacturing) . . . . .	\$1,910,000,000	\$1,604,000,000
Number of Employees . . . . .	353,000	293,000
Number of Stockholders . . . . .	213,000	185,000

\* Restated to include financial data relating to companies added through pooling of interests.

\*\* After recognition of common equivalent shares.





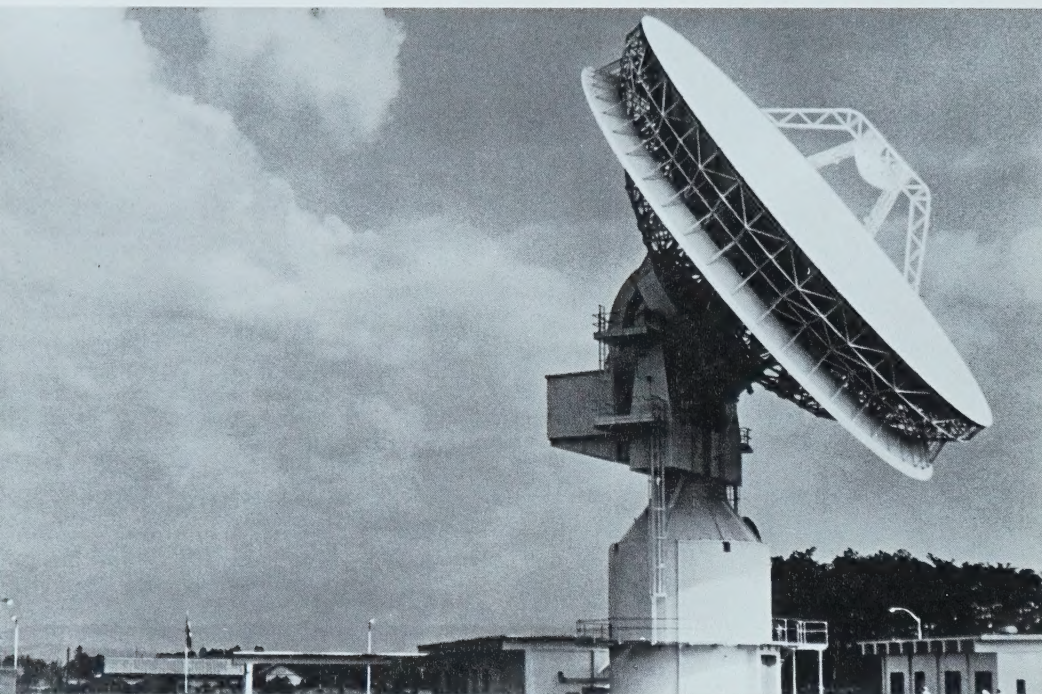
## Principal Product Groups

Dollar amounts in millions

	Sales and Revenues				Net Income			
	1969		1968		1969		1968*	
Manufacturing—								
Telecommunications Equipment . . . . .	\$ 1,017	19%	\$ 846	18%	\$ 49	21%	\$ 47	23%
Industrial and Consumer Products . . . . .	1,533	28	1,290	27	66	28	44	21
Natural Resources . . . . .	270	5	225	5	26	11	22	11
Defense and Space Programs . . . . .	289	5	274	6	2	1	1	1
	<u>3,109</u>	<u>57</u>	<u>2,635</u>	<u>56</u>	<u>143</u>	<u>61</u>	<u>114</u>	<u>56</u>
Consumer and Business Services—								
Food Processing and Services . . . . .	1,086	20	985	21	24	10	25	12
Consumer Services . . . . .	791	14	683	14	23	10	20	10
Business and Financial Services . . . . .	259	5	220	5	14	6	16	8
	<u>2,136</u>	<u>39</u>	<u>1,888</u>	<u>40</u>	<u>61</u>	<u>26</u>	<u>61</u>	<u>30</u>
Utility Operations . . . . .	230	4	201	4	30	13	29	14
Total . . . . .	<u>\$5,475</u>	<u>100%</u>	<u>\$4,724</u>	<u>100%</u>	<u>\$234</u>	<u>100%</u>	<u>\$204</u>	<u>100%</u>

\*Before extraordinary items





*Satellite communications*



*Cable*

## Telecommunication Equipment and Operations

### Manufacturing

Products and systems for the world's expanding telecommunication needs continued in 1969 as in past years to be a prime area of ITT research and manufacture.

The year was marked in the United States by the successful conclusion of two years' trial operation of ITT's new electromechanical crossbar switching system, the Pentaconta® A-1, and the subsequent installation of A-1 systems in many central exchanges; and by the formation of a new division, ITT Communications Equipment and Systems, to supply ITT-manufactured private equipment for connection to the regular public telephone network—popularly known as the “interconnect” market.

In February, 1970, ITT announced plans for entering the submarine telephone cable manufacturing industry in the United States. A new unit, ITT Cable Division, will construct three plants totaling 600,000 square feet at San Diego, California.

Overseas, ITT's major Belgian company scored successes with its electronic Metaconta® 10C public telephone switching system with stored program control. This new-generation

switching system was officially selected by the Belgian telephone administration, the first in Europe to go electronic, as basic equipment for its future exchanges.

Later in the year the Australian Post Office selected the same equipment for its new \$3-million trunk exchange in Sydney; and shortly thereafter the Netherlands PTT ordered a 1024-line 10C telegraph switching center.

Early in 1970 the Belgian company signed a \$1.5-million contract to supply 24 Pentaconta crossbar exchanges, totaling 15,600 lines in 20 provinces, to the Telephone Organization of Thailand.

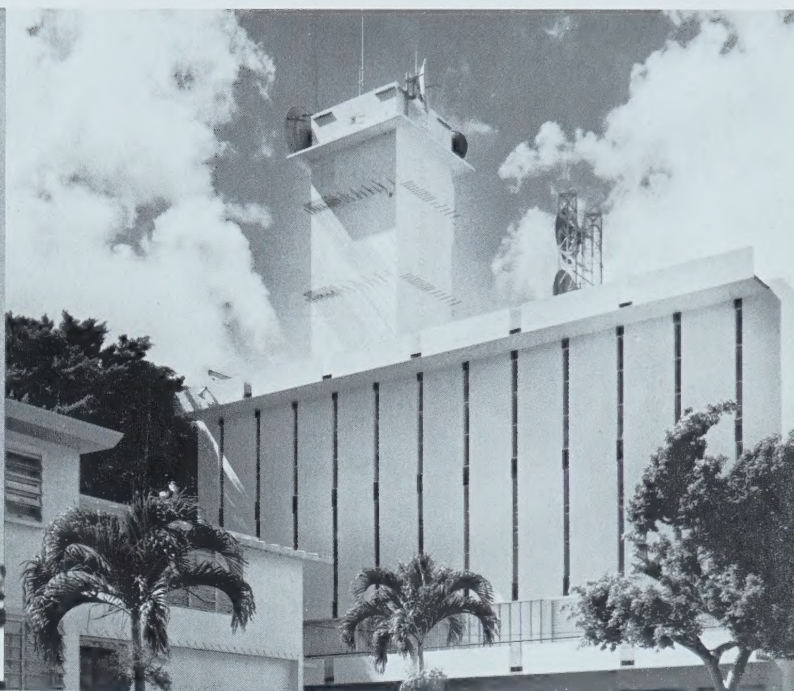
Achievements of ITT's principal German company were highlighted by the inauguration on August 11, 1969, of Thailand's 1000-mile microwave network stretching across the country from Malaya to Burma.

Other overseas companies also made pace-setting innovations in their traditional telecommunication activities. Our largest British company was responsible for the design, manufacture and laying of the 6000-mile 360-circuit submarine cable, SAT-1, between Portugal and South Africa—world's longest cable—officially





*Hands-free telephone*



*Radiotelephony*

inaugurated in 1969. The same company supplied the complete telecommunication and navigation equipment for the giant Cunard liner *Queen Elizabeth 2*.

Accomplishments of our French companies during 1969 include receipt of an order for a large telephone exchange in Rabat, Morocco—the first public exchange to use the ITT-developed Miniswitch®, which is controlled by a computer-stored program.

Our Argentine manufacturing company, celebrating its 50th anniversary, signed a \$135-million contract for expansion of the Buenos Aires telephone system.

Our Netherlands company received the largest order in its history, a \$4-million order for a second primary toll exchange for The Hague area, to serve 4000 national and 300 international trunk lines ultimately expandable to 24,000.

### **Operations**

ITT World Communications Inc. (Worldcom), the U.S. base of the International Communications Operations Group (ICO), became the largest American carrier of international telex in 1969. In addition, it introduced two noteworthy

“firsts”: a new commercial service called “Hot Line,” and an ultramodern communications control center that affords users of Worldcom’s services the most advanced communications quality control system in existence. The Hot Line permits executives to talk and to send highspeed data, teleprinter messages and facsimile to overseas points simply by picking up a telephone receiver and pressing a button.

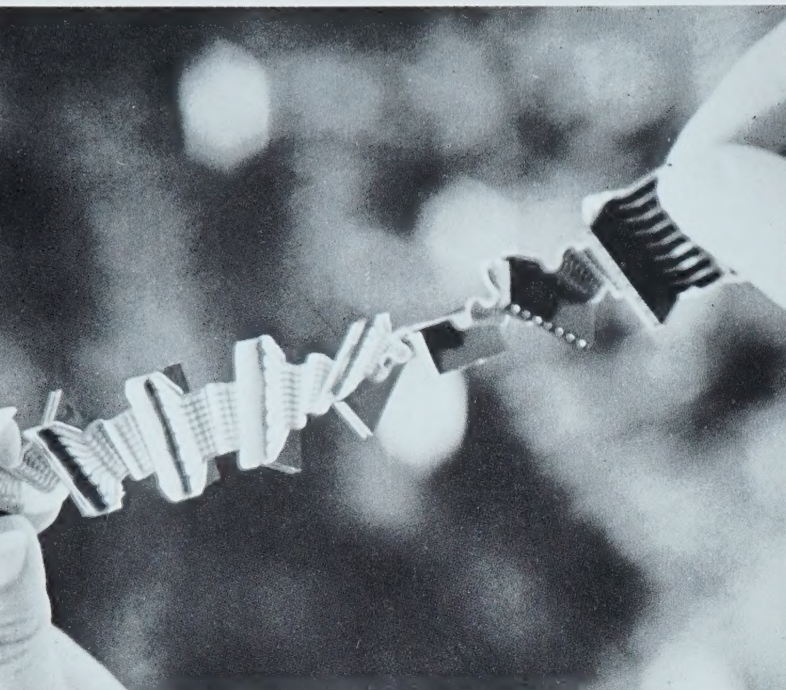
Worldcom and its overseas associates also expanded their global cable and satellite communication links.

In the Caribbean, the company inaugurated a new direct international record transmission link to the Bahama Islands.

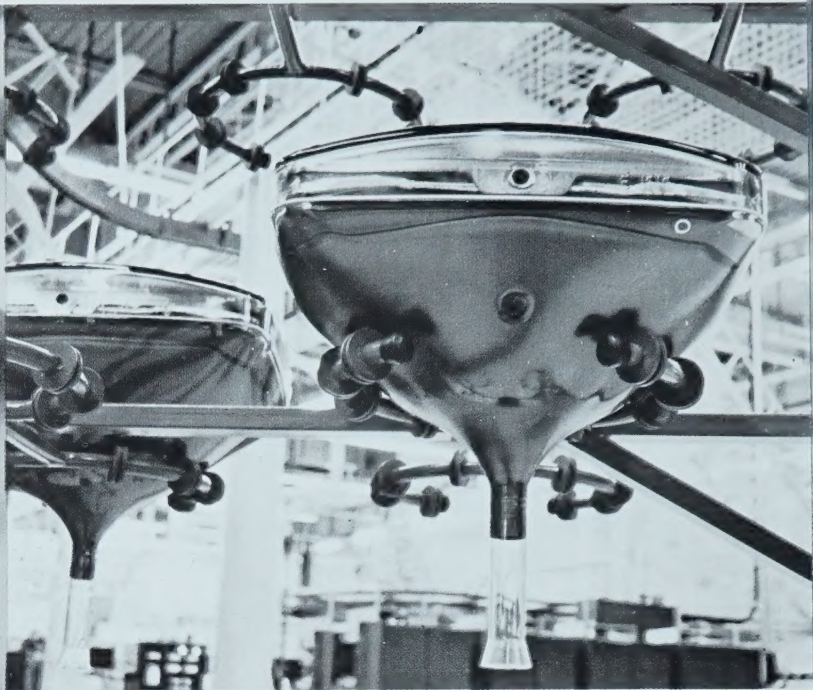
Completion of Indonesia’s satellite earth station, spearheaded by ICO two years ago, opened that nation to communications via satellite. The fifth transatlantic cable, TAT-5, in which ITT owns a substantial interest, went into operation early in 1970.

During 1969 we contracted to sell our interest in our telephone company in Peru and reinvest a portion of the proceeds in a new Lima hotel. Our other telephone companies in South America and the Caribbean continued to expand.





Connectors



Color TV tubes

## Industrial and Consumer Products

The year in industrial products, an area of growing activity for ITT, was marked by continued progress in Europe, the United States and Australia, particularly in Europe, where the Industrial Products Group has rapidly increased its sales since it was organized in 1967. Contributing to this success were new product lines in lighting, heating, ventilating and air-conditioning equipment, pumps, heat exchangers, electrical connectors, automatic control and measuring devices, wire and cable, automotive disc brakes, and hydraulic equipment.

During the year the Company entered the new field of chromium-plated plumbing fixtures as a result of the merger of the German firm of Grohe in 1968. We also entered the fields of pipe fittings, power piping and automatic fire protection systems in the U.S. through Grinnell Corporation.

Further development of component manufacture and sales in Europe resulted in increased sales for 1969. The products of ITT Components Group—Europe range from tiny film circuits to giant klystron tubes used for color TV transmission. Relays made by ITT Jennings in California scored a dramatic success in the Apollo 11 moon landing on July 21. Located in

the engine used for manual operation of the lunar module, the relays worked perfectly to control the solenoid valves metering the fuel intake as astronaut Neil Armstrong took manual control of the module and moved it laterally to a better landing site.

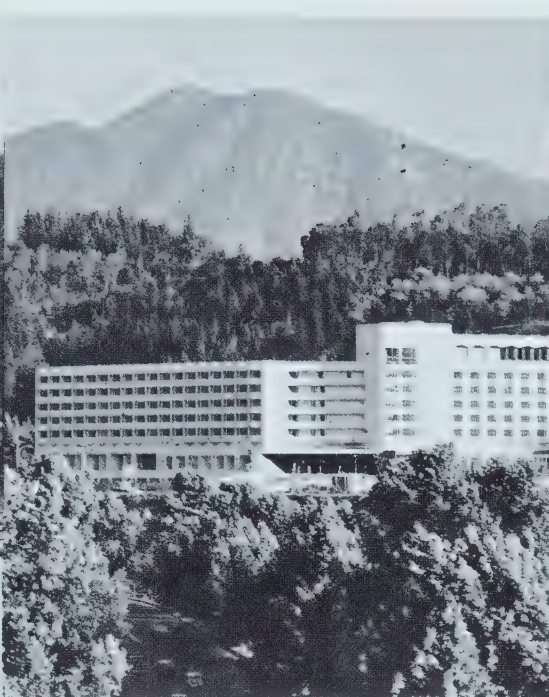
ITT is now one of the world's major producers of semiconductors. Through engineering, manufacturing and marketing capacities for semiconductors in the United States and abroad, we have developed strong positions in the consumer product component business worldwide and have become a significant supplier of integrated circuits to the computer industry.

Consumer products—radio and television receiver sets, refrigerators, home freezers, and various electrical appliances—have formed an important segment of ITT activity in Europe for many years. A major development in 1969 was the EUROSET television chassis, for color sets as well as black-and-white. This flexible design has led to considerable savings through standardization, common tooling and other cost reduction efforts among ITT's British, French and German companies despite Europe's differing broadcast standards.





*Car rental*



*Hotels*



*Foods*

## Consumer and Business Services

ITT today is well equipped to meet demand in the rapidly expanding field of service industries.

Sales of ITT Continental Baking Company reached new highs in 1969. The Company expanded food production facilities, and continued its research into improved nutrition. It participated in the December 1969 White House Conference on Food, Nutrition, and Health; and it also expanded its activities into Europe with the acquisition of companies in the frozen and canned food and snack food business—providing a new base for business on the Continent and in the United Kingdom.

Through Canteen Corporation, your Company expanded its domestic activities during the year to include food and vending services to industrial/commercial locations, schools and hospitals, stadiums, and other recreational areas.

ITT Sheraton Corporation of America initiated a multi-million dollar international expansion program for new hotels and motor inns in 38 countries. It purchased the Carrera Hotel in Santiago, Chile; the Maria Isabel Hotel in Mexico City; and the British Colonial Hotel in Nassau, Bahamas. It completed and opened the Sheraton Universal "Hotel of the Stars" in Los Angeles;

the new Surfrider Hotel on the beach at Waikiki; and a 200-room addition to the adjacent Royal Hawaiian Hotel. It won approval of the San Diego Port Authority to construct a major resort/convention hotel complex on Harbor Island. Also, it planned and implemented a central reservation system, with a single telephone number (800-325-3535) which became operational in January, 1970.

ITT Avis, operator of international vehicle rental and leasing services, has also built for tomorrow's demands. More than 100,000 vehicles are now in the Avis System fleet in 57 countries, 1,500 cities, and 650 airports; and during 1969, its International Division added 10 nations and islands to its growing list.

ITT's Levitt and Sons Incorporated established a new subsidiary in 1969 in order to contribute more effectively to the nation's requirement for 26 million homes in the Seventies. Its program for creation of housing by mass production, submitted to the U.S. Department of Housing and Urban Development, was named early in 1970 as one of 22 building systems to be used in this massive effort. Levitt also launched a major land development operation, which over





*Mutual funds*



*Home building*

the next 20 years could involve a city of 750,000 people, creating a value of some \$3-billion for ITT stockholders. This long-range program initially involved the acquisition of 20,000 acres, formerly held by ITT Rayonier Inc. in Flagler County, Florida. An additional 70,000 to 80,000 acres have been earmarked for development.

Your Company's APCOA Division, a national parking organization expanded into related service fields, providing contract cleaning and lighting maintenance service in eight states. In airport parking, it won 15 new contracts and today serves over 100 airports.

ITT's educational services steadily broadened during the last half of the Sixties. Our Howard W. Sams & Co., Inc. expanded its publishing activities in the vocational and technical fields, and we also moved forward with training and business schools and new products and services.

Just as United States telephone subscribers depend on "the Yellow Pages," subscribers in more than 15 countries are now depending on the "Golden Pages," produced by ITT World Directories through its subsidiaries and affiliates. The "Golden Pages" provide a new service to expanding economies throughout the world; and in

the three years since its founding, ITT World Directories has become the most widespread telephone directory publisher in the world.

During the year, we established a worldwide Data Equipment, Systems and Services Group to improve the data processing services long supplied to ITT customers, and to provide them with the technological tools for solving tomorrow's problems. The Group includes ITT Data Services—U.S., Europe, Latin America, and the U.S. Data Equipment and Systems Division. The division will market and service such ITT products as the 3010 Envoy Dataprinter, 3100 Alphascop Display Unit, and 600 Data and Message Switching System.

ITT Hamilton Management Corporation, investment adviser and distributor for Hamilton Funds, Inc., and Hamilton Growth Fund, Inc., reported an increase in total sales volume for 1969. Also in 1969, Hamilton introduced a new Growth-Fund Periodic Plan. Meanwhile, ITT Hamilton Life Insurance Company showed an increase of more than \$60 million in face amount of business over 1968, and by 1970 is expected to reach an annual sales volume of approximately \$200 million.





Wood preservation



Rayon



Glass

## Natural Resources

ITT's Natural Resources Group is dedicated to use of the physical environment in the most enlightened possible way.

One example is that of ITT Rayonier Incorporated, one of three companies that make up the Natural Resources Group. Rayonier, whose basic business is converting trees into useful products, concentrates on raising the productivity of lands by growing timber as a renewable crop and by creating and applying new technology to harvesting and processing.

No less concerned with intelligent use of natural resources are the Group's other two companies—Pennsylvania Glass Sand Corporation and Southern Wood Preserving Company. All three firms conduct continuous research into methods of controlling pollution of air and water.

Rayonier is a major producer of cellulose acetate, a highly-purified form of wood pulp used as a basic material in many high-volume products such as rayon, acetate, tire cord, cellophane, films, sponges, plastics. It also turns out other types of wood pulps, lumber, and a new generation of wood-derived materials known as silvichemicals. Its fastest growing segment is in cellulose for cellulosic fibers, one of the 15

major growth industries in the United States.

Pennsylvania Glass Sand is a producer of high-purity silica and special clay products that go into the glass, chemical, metallurgical, ceramic and building industries. Its basic raw materials come directly from nature—silica and attapulgite clay. PGS's extensive facility expansion is spurred by growing world-wide demands, including the need for special drilling muds in petroleum-producing areas such as Kuwait, Venezuela and the North Sea, and by new oil fields being developed along the Alaskan North Slope where clay products are a constituent of Arctic-type drilling fluids. Also, major development is going on in suspension fertilizer technology and in new products for the paint and metallurgical industries.

Southern Wood Preserving Company protects one of man's oldest resources, wood, from the ravages of decay, insects and other wood-destroying organisms. The firm also stresses proper procurement, handling and seasoning before the wood is brought to the treating cylinders. SWP's first process, in 1908, was creosoting pine blocks to be used for street paving. Today the firm produces a full line of treated forest products.





*Radar watch*



*Satellite navigation*

## Defense-Space

In 1969, ITT made significant contributions to defense of the Western World and exploration of space through both its manufacturing and service activities.

ITT Arctic Services, Inc. was established to assume U.S. Air Force contracts formerly held in the far North by ITT's Federal Electric Corporation. It operates, maintains, and supports nearly 100 communication sites that make up the White Alice Communication System in Alaska; it also mans the Distant Early Warning (DEW) System's radar and communication stations, and the giant Ballistic Missile Early Warning System (BMEWS) sites in Greenland and Alaska.

ITT Gilfillan, Inc., designer and manufacturer of advanced radar systems and navigational aids, received contracts from Government agencies for development of solid state, phased array radar—an advanced concept in the radar field; and Gilfillan produced and delivered to the U.S. Navy 12 precision approach radar systems enabling aircraft to land in adverse weather.

Our Avionics Division contributed to the improvement of air traffic control with its new radar display BRITE, which enables control towers to view radar position of aircraft in day-

light environment. This equipment is being installed in major airports by the Federal Aviation Administration (FAA). Also, advanced air-to-ground, and ground-to-air voice transmission for traffic control information is now being supplied to the FAA.

We continued to work with NASA's Nimbus weather satellite program. The Nimbus IV, scheduled for launch in 1970, will contain not only a night infrared camera and a day camera for weather mapping but also the new Filter Wedge Spectrometer, designed and built by our Aerospace/Optical Division, adding a new dimension to weather forecasting by measuring water vapor content of the earth's atmosphere.

ITT Space Communications, Inc. received contracts for large commercial satellite communication earth stations from the governments of Spain, Greece, and Colombia, and from RCA Global Communications Inc. to provide an antenna system for the Guam earth station, as well as for the complete earth station to be operative in 1970. Also, our major German company, Standard Elektrik Lorenz, received a contract to provide 12 satellite communication earth stations for NATO countries.





*A day to remember*

## Social/Environmental Relations

1970 begins not only a new decade but a new era. Suddenly, new problems and ideas are matters of public concern: Environmental pollution. Ecology. Social Ambience. Public accountability. Involvement. Business is confronted with a demand that it show not only profits for shareholders but also contributions to the general welfare.

Historically, ITT has maintained throughout the System active social-environmental relations.

In 1968, ITT Chairman and President Harold S. Geneen served as honorary chairman of the first Plans for Progress conference—to promote equal employment opportunity in business and upgrade the skills of minorities. During that year, ITT loaned one of its executives to Washington to serve as administrative director of Plans for Progress, which is supported by 400 corporations.

Also, during 1968 and 1969, Mr. Geneen served on the first Executive Board of the National Alliance of Businessmen (NAB) and was chairman of NAB's Region II—New York and New Jersey (containing one-fifth of the nation's industry). During this period, NAB trained and employed more than 125,000 hard-core unemployed workers, and ITT alone hired four times

as many as it had originally pledged—or a total of over 1,000 workers. Since 1963, Company workers from all minority groups increased from 2½ % to 21 %.

Representative recent ITT activities in the public interest include:

*Pollution control*—All three companies in ITT's Natural Resources Group—Rayonier, Pennsylvania Glass Sand and Southern Wood Preserving—conduct continuous research into methods of combating air and water pollution.

*Narcotics education*—ITT sponsors, in cooperation with the Institute for the Advancement of Criminal Justice, a unique program of drug education aimed at community leaders and the public. Through an ITT grant to the Institute, 20 seminars are being held in 1970 to alert communities to the drug problem, its growth patterns, individual symptoms, facilities for treatment and methods of curbing drug abuse.

*Minority Entrepreneurship*—ITT announced early in 1970 that it is sponsoring a Minority Enterprise Small Business Investment Corporation (MESBIC) in cooperation with the Commerce Department's Office of Minority Business





*Job training*



*Visual aids*



*Equal opportunity*

Enterprise. ITT's MESBIC will provide venture capital for qualified minority businessmen who might otherwise be unable to obtain these funds from conventional sources.

In a depressed area of Boston, ITT Continental Baking Co. set up a baked goods store, trained workers to run it and turned it over to a community group which keeps the profits.

*Job Training*—ITT's Semi-conductor Division in West Palm Beach, working with Florida's Community Action Migrant Program (CAMP), established a unique project for field workers to become skilled assembly line workers.

Under the guidance of ITT's Industrial Relations Department, several operating divisions wrote specialized production-line manuals to train people from disadvantaged backgrounds. The manuals incorporated special methods where language was an obstacle.

Levitt and Sons operates training centers in Burlington, N.J., and Bowie, Md., for training unemployed to become carpentry mechanics.

ITT Gilfillan trains school dropouts to become sheet metal assemblers.

*Public recreation*—ITT Rayonier offers the public free use of almost all of its 350,000 acres of land in Washington state for hunting and recreation, and also provides camping areas with cooking facilities. Over 50,000 people used these lands in a recent one-year period.

A bakery in St. Louis was given by ITT Continental to a local church. Community members in the depressed area surrounding the bakery converted it into a community center.

*The future*—A basic principle of our economic system has been that in the long run private enterprise will best allocate most goods and resources and serve the public interest. The achievements of this system have been immense, particularly in technology and economics. The new era challenges business to achieve social objectives directly and quickly. Business cannot solve all social problems, but it can contribute its special skills, methods, and resources to the search for solutions. ITT will bear its full share of responsibility as a business leader in social as in technological and economic fields, and will give even broader meaning to its objective of serving people and nations everywhere.



# Telecommunication Equipment and Operations





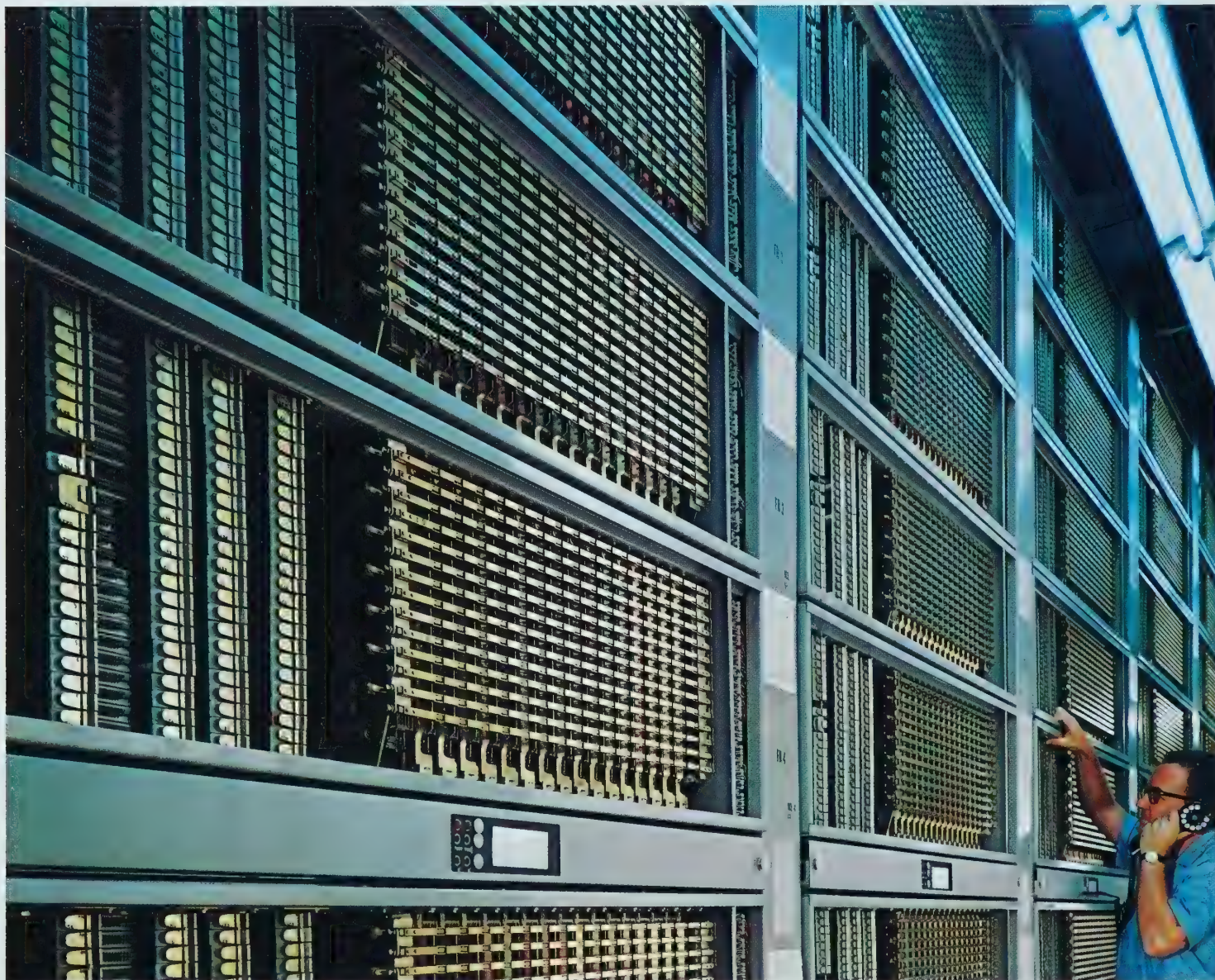
The human voice remains the fundamental instrument of communication, and the telephone remains the universal means of projecting it. The complex devices that send the human voice across oceans, continents, and outer space, are actually types of telephone equipment. ITT companies make and operate all of them.

ITT's earliest activity was the management of telephone utilities in the Caribbean. In 1925 it branched into the production of telephone equipment in Europe, and from this base has steadily increased its product-oriented research and manufacture, pioneering many of the advances that have revolutionized telecommunications in the modern world.

Today ITT supplies telephone switching and instruments, microwave radio, and satellite ground and spaceborne communication equipment to all the world. It operates telephone companies in South America and the Caribbean, as well as a worldwide record-communication network of cable, radio and satellite circuits reaching every quarter of the globe.

Preceding page: ITT-built satellite earth station near Madrid, owned and operated by Spanish Telecommunication Administration, relayed live television pictures of moon's surface during Apollo 8 lunar orbit. Two other large commercial ITT-built stations, on Grand Canary Island, played similar roles in Apollo 9 through 12 as well as 8. During 1969, ITT earth stations were inaugurated in Guam and Indonesia, and early in 1970 a station in Greece. The opening of Colombia's first such station, and an additional station in Spain, is also scheduled for 1970.

Below: The Pentaconta® A-1, latest application of the ITT-developed Pentaconta technique, is an electromechanical common-control switching system engineered specifically for the demands of the independent telephone industry in the United States. Designed to interwork with other systems of central office switching, Pentaconta A-1 has been placed in service in a score of U.S. cities since its original installation at Las Vegas, Nevada in 1967.





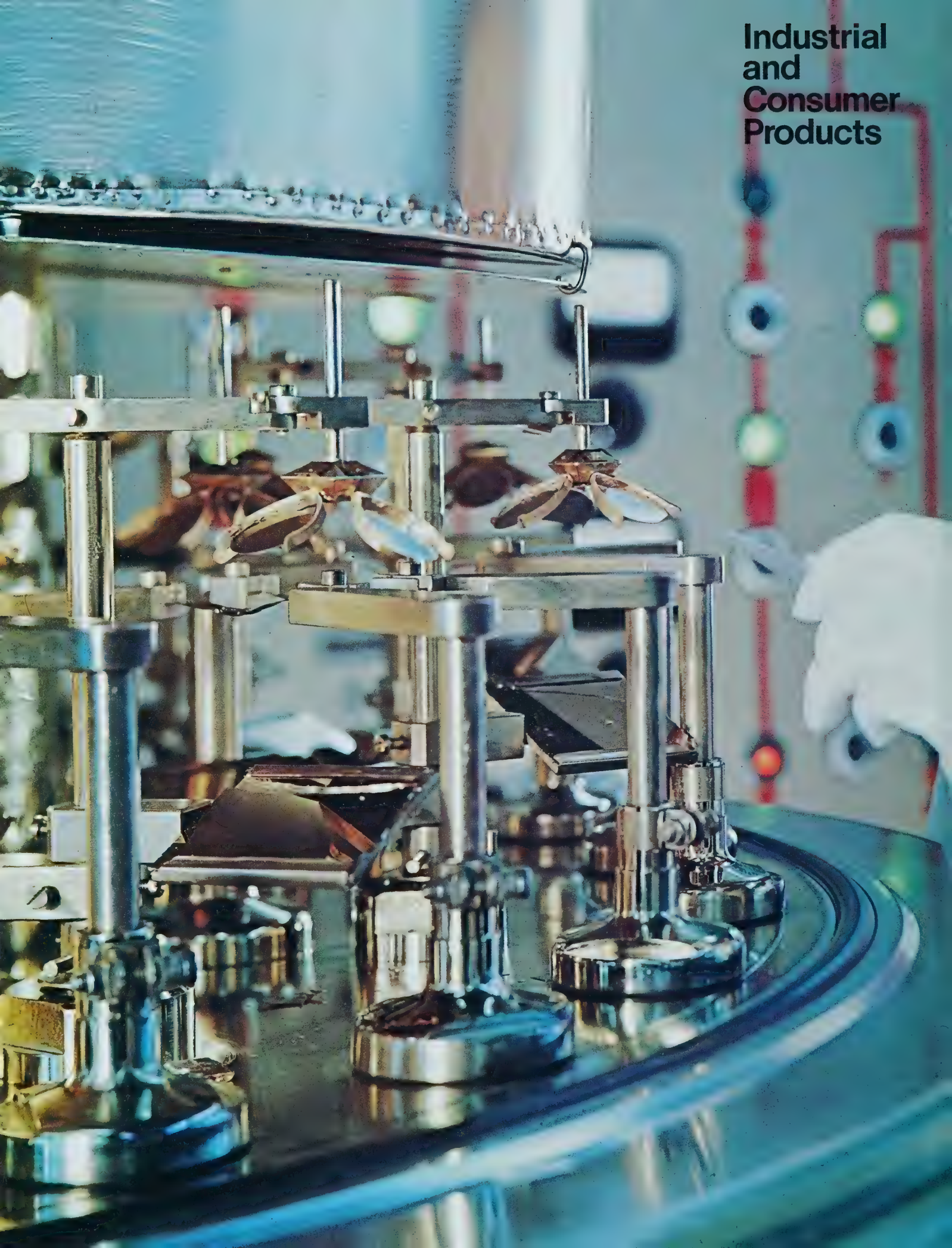
The first MINIMAT 60 private automatic branch exchange (PABX), first-born of a family of new exchanges developed by ITT's 78-year-old Compagnie Générale de Constructions Téléphoniques, Paris, was installed in the company's headquarters during 1969. High reliability and compactness are achieved by mounting all components, miniaturized relays, and the space-saving "Miniswitches"—developed by the same company in 1968—on printed circuit boards.

ITT companies in a dozen countries manufacture many types of late-model handsets, for export as well as for their own national telephone administrations. Shown below is an assortment of the various telephone and intercom models produced by ITT's Compañía Internacional de Telecomunicación y Electrónica, S.A. at its ultramodern factory in Málaga. The Spanish company is a major exporter and has sold many thousands of its handsets to more than 30 administrations.





**Industrial  
and  
Consumer  
Products**





In keeping with its corporate goal of planned growth through diversification, ITT is active today in lighting, heating, ventilating, and air-conditioning, in fluid-handling products such as pumps and plumbing, in valves and other automatic controls, in automotive brakes and brake systems, in fire-protection equipment, abrasives, and specialized machinery.

ITT's integrated services to industry are well illustrated in the "process industries"—for example, oil. ITT equipment pumps, pipes, and measures the oil and its by-products, and ITT microwave systems are used for voice, data, telemetry and supervisory-control transmission along pipelines and from off-shore rigs.

The company's myriad lines of materials and components serve the entire electronic and telecommunication industries. Its consumer products include some of Europe's most honored brand names in radio and television—including color sets—and in phonographs, recorders, and household appliances.

Opposite: High-vacuum coater for gold-plating of silicone chips at Intermetall unit in Germany is typical of latest equipment used in the manufacture of ITT semiconductor devices.

Below left: Networks of piping installed by Grinnell Corporation at Wateree Station of South Carolina Electric & Gas Company are representative of this 120-year-old company's wide range of pipes, fittings, and supports. Other Grinnell products include automatic sprinkler systems and plumbing and heating material.

Below: In mid-1969 ITT's Alfred Teves GmbH produced its 20 millionth disc brake. The company plans to produce another 8 million in 1970, for use in racers as well as passenger cars. Photo shows a modern Teves disc brake variation incorporating hydraulic foot brake and mechanical parking brake in one compact unit. Other ITT subsidiaries in Germany, Brazil, Italy, and the United States also manufacture automotive equipment including metal and plastic parts.





Tantalum capacitors produced by ITT Components Group in Germany are used in many types of modern electronic equipment, such as high-quality radio and television sets. The photograph shows an apparatus for tantalum-V capacitor baths at ITT's largest German company.

This display of a 7 x 5 element letter-and-number solid-state digital indicator, developed at ITT's Standard Telecommunication Laboratories in England, is the first in the world to be made on a single slice of material. An early application could be in air traffic control information consoles.





Technician at ITT's largest British company, Standard Telephones and Cables Limited, uses process of argon weld in the manufacture of components for color TV transmission. The production of radio and television consumer sets as well as stereo and monaural phonograph sets has been an important STC activity for many years. ITT's British-made consumer sets are marketed under the well-known brand name "KB."

The "Touring International" is the newest version of ITT's most popular portable radio, manufactured in Germany under the Schaub-Lorenz brand name. ITT-made radios, phonographs, tape recorders and television sets—both color and black-and-white—are marketed internationally by ITT Consumer Products Group—Europe.





**Consumer  
and  
Business  
Services**





ITT's growth has been shaped to fit the Company to the needs of the world in which it must survive and progress. Those needs continue to be goods and services—with mounting emphasis on the latter. More than half of the U.S. gross national product now goes into services. Accordingly, ITT's service-oriented operations have been steadily added to since 1959.

ITT's business and consumer services extend to mutual fund sales and management; consumer and industrial finance; life insurance; construction and operation of hotels, motor inns, homes, and residential communities; rental and leasing of passenger automobiles and trucks; operation of airport and downtown parking facilities, and airport ground-transportation and taxi facilities; technical and general publishing; and educational services including vocational, technical, and business career training. In recent years, through ITT Continental Baking Company and Canteen Corporation, ITT has entered the growing field of food processing and vending.

Opposite: Hotels and motor inns owned or operated by ITT Sheraton Corporation of America have placed ITT in the forefront of international hostellers since the Sheraton chain joined the ITT System early in 1968. Photograph shows the ballroom of the Sheraton-Plaza in Boston, where the annual Snow Ball for charity is a highlight of the social season.

Below: Aerial view of Levittown, Puerto Rico, shows why sailing and swimming are major recreational activities. Schools, gymnasium, and cultural center are included in environmental planning for the 8,000 families in residence.





Below left: No food company is more children-oriented than ITT Continental Baking. For many years, its Wonder Bread has been the bread which "helps build strong bodies twelve ways," and its Hostess Cake and Wonder Snack Divisions direct much of their appeal to the young set. In snack-minded, children-minded America, ITT Continental has established a consumer franchise which is the strongest in its field.

Below right: With Canteen Corporation, ITT in 1969 entered the fast-growing vending, food service, and restaurant industry serving schools, hospitals, stadiums, industrial locations, and the general public. In the photograph, Canteen caters a campus luau.

Bottom: Everybody is a V.I.P. for APCOA's very special parking service at Lambert—St. Louis Municipal Airport. Deluxe minibuses and station wagons transport patrons free between remote airport lots and the terminal building. APCOA joined the ITT System in 1966.

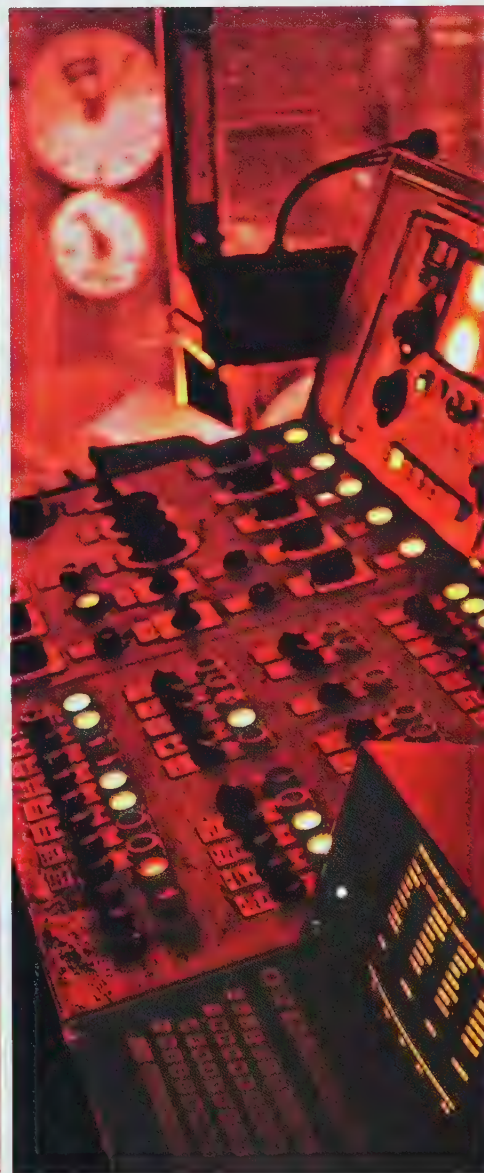
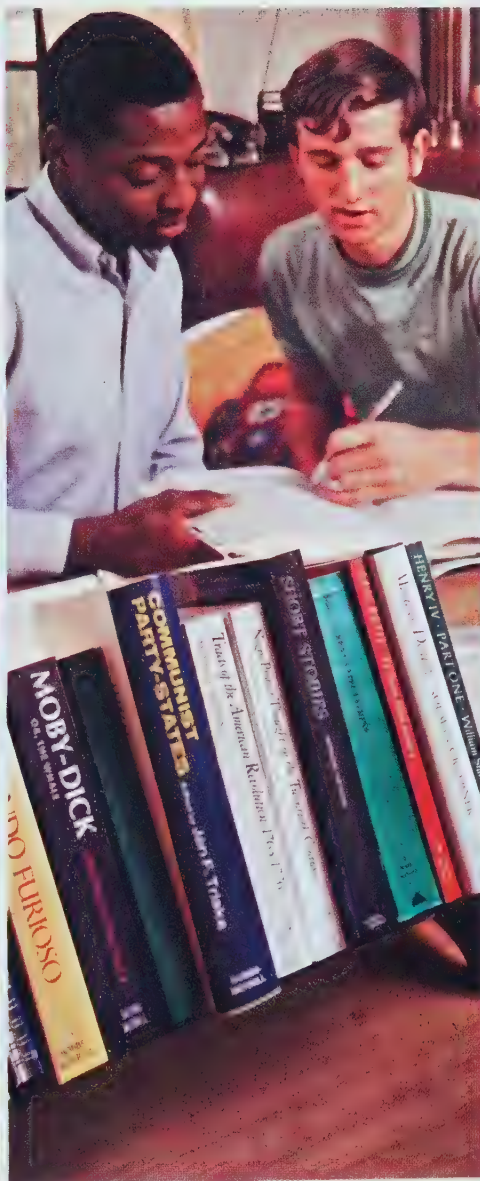




In our increasingly consumer-oriented service economy no area is growing faster than automobile rental and leasing. ITT Avis's fleets of passenger cars and trucks, made available to the public at thousands of counters including virtually all of the world's major airports, give ITT a unique position in this expanding market.

The Bobbs-Merrill Company, Inc., a subsidiary of ITT's Howard W. Sams & Co., Inc., publishes a prestigious list of materials for use in higher education. Its properties include works by such world-famous authors as Melville, Goethe, Mark Twain, Shakespeare and Plato; a high-demand Reprint Series in the social sciences, education, political science and history; and the ever-expanding special series covering philosophy, history, literature, composition and speech.

ITT Data Equipment and Systems Division, founded in 1969, markets information systems that find a wide spectrum of applications in business, industry, and institutions. Photograph shows a readout module from a computer on-line and real-time system that can serve as a hospital, security, or business information system.





# Natural Resources





In recent years ITT has deepened its concern with a problem now drawing international attention: deterioration of mankind's environment. The companies of ITT's Natural Resources Group—ITT Rayonier Incorporated, Pennsylvania Glass Sand Corporation (PGS), and Southern Wood Preserving Company (SWP)—are, by the nature of their business, concerned with improving the environment and conserving our natural resources.

Rayonier, a leading producer of chemical cellulose and its derivatives, concentrates on growing timber as a renewable crop, and creating and applying new technology to harvesting and processing.

No less concerned with intelligent use of natural resources are PGS, a principal producer of silica and clay for the glass, ceramics, and metallurgical industries, and SWP, producer of treated forest products.

PGS's basic raw materials come directly from nature—silica and attapulgite clay. SWP protects wood from ravages of destroying organisms and decay.

Opposite: Genetically improved pine seed tree in an ITT Rayonier seed orchard in Georgia typifies that subsidiary's comprehensive and continuing programs for reforestation.

Below left: Cellulose manufactured by ITT Rayonier serves many textile markets including the changing world of fashion.

Center: Mining geology is a continuing function of ITT's Pennsylvania Glass Sand Corporation. Here a PGS geologist examines the Oriskany sandstone in West Virginia, noted as a source of high-purity quartz sand.

Right: Glass for the proliferating skyscraper canyons of the world's great cities is among the thousands of products made from raw materials mined and processed by ITT's Pennsylvania Glass Sand Corporation.









ITT companies are major contributors to the defense requirements of the United States and its allies, and are heavily engaged in many areas of space-age technology and service.

NASA has honored ITT for its work as prime communications contractor at the three principal U.S. space centers. ITT also is the largest single contractor in the Arctic, where it mans communication and radar sentinel stations across the roof of the world.

In Europe, ITT companies have been prime contractors for the ESRO satellites, have developed the command and telemetry system for the German AZUR research satellite, and have designed flight simulators and other vital equipment for military aircraft as well as for the Anglo-French supersonic *Concorde*.

ITT has been a vital force in avionics for many years, spanning a range from aircraft navigation and communication systems to construction, equipping and servicing of complete airports.

Opposite: Men of ITT Arctic Services, Inc. operate and maintain the chain of Ballistic Missile Early Warning System (BMEWS) across frozen Arctic wastes. Radar site shown in photograph is in Alaska.

Below left: Technicians of ITT's Federal Electric Corporation at Kennedy Space Center check out a telemetry antenna in preparation for launch of Apollo 12 moonflight. Units are used by FEC to receive masses of information radioed from space vehicle as it soars skyward.

Right: Calibration of a new space camera under development at ITT Aerospace/Optical Division is accomplished by means of laser beams.





## Directors

### TOP:

George R. Brown  
Harold S. Geneen  
Felix G. Rohatyn

### CENTER:

Warren Lee Pierson  
Charles T. Ireland, Jr.  
Francis J. Dunleavy

### BOTTOM:

Arthur M. Hill  
Richard S. Perkins  
John A. McCone  
Ted B. Westfall

### TOP:

Eugene R. Black  
J. Patrick Lannan

### CENTER:

Alvin E. Friedman  
Raymond L. Brittenham  
Russell F. Erickson

### BOTTOM:

Richard E. Bennett  
Hart Perry  
R. Newton Laughlin





## Directors

Richard E. Bennett  
Executive Vice President,  
International Telephone and Telegraph Corporation

Eugene R. Black\*  
Consultant

Raymond L. Brittenham  
Senior Vice President—Law and Counsel,  
International Telephone and Telegraph Corporation

George R. Brown\*  
Oil and investments

Francis J. Dunleavy  
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International Telephone and Telegraph Corporation

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International Telephone and Telegraph Corporation

Arthur M. Hill\*  
Private investments, officer and director of various  
unlisted corporations and banks

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Senior Vice President,  
International Telephone and Telegraph Corporation

J. Patrick Lannan\*  
Financial consultant

R. Newton Laughlin  
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ITT Continental Baking Company

John A. McCone\*  
Chairman of the Board,  
Hendy International Company, steamship operators

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Chairman of the Executive Committee, First National City  
Corporation, New York, and First National City Bank, New York

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Executive Vice President—Finance,  
International Telephone and Telegraph Corporation

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Chairman of the Board of Directors,  
All America Cables and Radio, Inc., an ITT subsidiary

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Partner, Lazard Frères & Co., investment bankers

Ted B. Westfall  
Executive Vice President,  
International Telephone and Telegraph Corporation

\*Member of Executive Committee

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Chairman and President

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Executive Vice President

Francis J. Dunleavy†  
Executive Vice President

James V. Lester†  
Executive Vice President

Hart Perry†  
Executive Vice President—Finance

Ted B. Westfall†  
Executive Vice President

Howard J. Aibel†  
Senior Vice President and General Counsel

Frank P. Barnes  
Senior Vice President

Raymond L. Brittenham†  
Senior Vice President—Law and Counsel

Henri G. Busignies  
Senior Vice President and Chief Scientist

Albert E. Cookson†  
Senior Vice President

Edward J. Gerrity, Jr.†  
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Senior Vice President

Charles T. Ireland, Jr.  
Senior Vice President

Herbert C. Knortz†  
Senior Vice President and Comptroller

Stanley Luke  
Senior Vice President

Lyman C. Hamilton, Jr.  
Vice President and Treasurer

John J. Navin  
Secretary

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Robert E. Chasen  
Emil G. Chaves  
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James A. Goodson  
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John F. Stolle  
Robert J. Theis  
Nicholas Theofel  
Maurice R. Valente  
Edward R. Wallace  
Fred E. Weldon  
Arthur T. Woerthwein

†Member of Management Policy Committee



## Financial Statements

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## Financial Summary

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*The consolidated results of operations of International Telephone and Telegraph Corporation for the year 1969 surpassed all performance in the Company's 50-year history.*

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### Sales and Revenues

Worldwide sales and revenues totaled \$5.5 billion, an increase of 16% over the \$4.7 billion in 1968, after restatement for companies acquired in "pooling of interests" transactions. Net sales in the United States and Canada amounted to \$3.5 billion, or 64% of the total worldwide sales.

### Net Income

Consolidated net income amounted to \$234 million in 1969, an increase of 15% over the net income (before extraordinary items) of \$204 million in 1968, after restatement to reflect "pooling of interests" transactions.

On a per share basis, earnings for the year 1969 after recognition of all common stock equivalents were equal to \$2.90 per share compared with restated earnings of \$2.62 per share (before extraordinary items) for 1968, for an increase of 11%.

### Capital Expenditures

For the first time in the Company's history, capital expenditures exceeded one-half billion dollars for the improvement and expansion of plant and facilities. Of this total, consumer and business services required \$211 million, manufacturing facilities required \$207 million and the utility operations required \$95 million. During 1969, depreciation amounted to \$190 million as compared with \$175 million in the prior year.

### Stockholders' Equity

After restatement for pooling of interests transactions, the stockholders' equity increased from \$1.9 billion at December 31, 1968 to \$2.1 billion at the close of 1969; thus the return on stockholders' average equity was 11.8% in 1969 as compared with 11.3% in 1968.

### New Financing

In 1969 the Corporation increased its credit lines with thirty-four banks throughout the U.S. from \$158 million to \$209 million (in-

cluding a \$138 million three-year revolving credit) at the prime rate of interest. At 1969 year-end, \$71 million of borrowings were outstanding under these facilities. International Standard Electric Corporation, a wholly-owned subsidiary of the Corporation, sold \$103 million of debentures and long-term notes in the European market in 1969. These borrowings included \$36 million of pound sterling debentures which are convertible into the Common Stock of ITT on and after July 1, 1971.

Also in 1969 ITT Sheraton Finance N.V., a Netherlands corporation and a wholly-owned indirect subsidiary of the Corporation, raised \$40 million of long-term funds in Europe, including \$20 million of subordinated debentures convertible into ITT shares of Common Stock on and after February 1, 1970. Sheraton International, Inc., another indirect subsidiary, borrowed \$11 million in the long-term Swiss market. All of the foregoing foreign borrowings contributed to the improvement of the U.S. balance of payments position.

In February 1970 International Standard Electric Corporation increased its credit line facilities to \$145 million by entering into a \$100 million loan agreement for a five-year revolving credit with a group of U.S. and foreign banks in Europe.

### Dividends on Common Stock

For the sixth consecutive year, the Board of Directors voted, in the last quarter of 1969, to increase the dividend on the Common Stock from 95 cents per share to \$1.05 per share.

### Financial Statements

The financial statements of the Corporation and its subsidiaries consolidated and the report of the independent auditors are shown on the following pages. A ten-year summary of the financial highlights of the Corporation and subsidiaries consolidated follows the financial statements.



**Consolidated Balance Sheets** *as of December 31, 1969 and 1968*

Thousands of Dollars

<b>Assets</b>	<b>1969</b>	<b>1968</b>
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 288,250	\$ 339,289
Accounts and notes receivable . . . . .	828,925	697,256
Inventories . . . . .	1,033,464	819,329
Other current assets . . . . .	162,919	121,589
	<u>2,313,558</u>	<u>1,977,463</u>
<b>INVESTMENTS, DEFERRED RECEIVABLES AND OTHER ASSETS</b>		
Finance subsidiaries (Page 41) . . . . .	194,530	140,999
Other investments, at cost . . . . .	154,325	174,887
Accounts receivable due subsequent to one year . . . . .	99,690	63,496
Other assets . . . . .	219,006	78,198
	<u>667,551</u>	<u>457,580</u>
<b>PLANT, PROPERTY AND EQUIPMENT, at cost . . . . .</b>	<b>3,498,244</b>	<b>3,116,479</b>
Less—Accumulated depreciation . . . . .	1,286,766	1,175,045
	<u>2,211,478</u>	<u>1,941,434</u>
	<u><b>\$5,192,587</b></u>	<u><b>\$4,376,477</b></u>
<b>Liabilities and Stockholders' Equity</b>		
<b>CURRENT LIABILITIES</b>		
Loans and current maturities of long-term debt . . . . .	\$ 658,067	\$ 388,900
Accounts payable and accrued liabilities . . . . .	718,409	594,160
Accrued taxes . . . . .	164,271	164,626
	<u>1,540,747</u>	<u>1,147,686</u>
<b>RESERVES AND DEFERRED LIABILITIES . . . . .</b>	<b>259,875</b>	<b>230,098</b>
<b>DEFERRED INCOME TAXES . . . . .</b>	<b>82,112</b>	<b>61,682</b>
<b>LONG-TERM DEBT (Page 37) . . . . .</b>	<b>1,145,383</b>	<b>961,646</b>
<b>MINORITY EQUITY IN SUBSIDIARIES CONSOLIDATED . . . . .</b>	<b>83,161</b>	<b>78,609</b>
	<u><b>3,111,278</b></u>	<u><b>2,479,721</b></u>
<b>STOCKHOLDERS' EQUITY</b>		
Cumulative Preferred Stock (Page 37) . . . . .	489,211	493,455
Common Stock		
Authorized 150,000,000 shares, \$1 par value		
Outstanding 65,371,218 and 63,830,483 shares . . . . .	65,371	63,830
Capital Surplus . . . . .	436,221	384,034
Retained Earnings . . . . .	1,090,506	955,437
	<u>2,081,309</u>	<u>1,896,756</u>
	<u><b>\$5,192,587</b></u>	<u><b>\$4,376,477</b></u>

*The accompanying notes to financial statements are an integral part of the above statements.*



**Consolidated Income** *for the years ended December 31, 1969 and 1968*

Thousands of Dollars

	1969	1968
<b>SALES AND REVENUES</b>		
Manufacturing . . . . .	\$3,108,208	\$2,634,867
Consumer and business services . . . . .	2,136,143	1,888,008
Telecommunication utilities . . . . .	230,392	201,480
	<u>5,474,743</u>	<u>4,724,355</u>
<b>COSTS AND EXPENSES (including depreciation of \$190,197 and \$174,739)</b>		
Cost of sales and operating expenses—		
Manufacturing . . . . .	2,414,162	2,052,467
Consumer and business services . . . . .	1,637,139	1,448,649
Telecommunication utilities . . . . .	131,179	117,579
Selling and general expenses . . . . .	842,520	713,854
	<u>5,025,000</u>	<u>4,332,549</u>
	449,743	391,806
Equity in net earnings of finance subsidiaries . . . . .	<u>14,360</u>	<u>11,072</u>
<b>INCOME FROM OPERATIONS</b> . . . . .	464,103	402,878
Dividends, interest and other income . . . . .	62,155	43,850
Interest and other financial charges . . . . .	(112,556)	(88,825)
	<u>413,702</u>	<u>357,903</u>
<b>INCOME TAXES AND MINORITY EQUITY</b>		
U. S. and foreign income taxes . . . . .	(166,660)	(146,891)
Minority common stockholders' equity in net income . . . . .	<u>(13,008)</u>	<u>(7,196)</u>
<b>INCOME BEFORE EXTRAORDINARY ITEMS</b> . . . . .	234,034	203,816
Gain on sale of Comsat shares (net of applicable income taxes of \$10,104) —\$16,842, less provision for obsolescence of radio communications facilities (net of applicable income taxes of \$1,600)—\$4,600 . . . . .	<u>—</u>	<u>12,242</u>
<b>NET INCOME</b> . . . . .	<u>\$ 234,034</u>	<u>\$ 216,058</u>
<b>EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE</b>		
Income before extraordinary items . . . . .	\$2.90	\$2.62
Extraordinary items . . . . .	<u>—</u>	<u>.17</u>
Net income . . . . .	<u>\$2.90</u>	<u>\$2.79</u>
Net income on a fully diluted basis (after extraordinary items in 1968) . . . . .	<u>\$2.80</u>	<u>\$2.68</u>

The accompanying notes to financial statements are an integral part of the above statements.



**Consolidated Retained Earnings** *for the years ended December 31, 1969 and 1968*

Thousands of Dollars

	1969	1968
BALANCE—Beginning of year, as previously reported . . . . .		\$717,742
Add—Restatement for companies added through poolings of interests in 1969 . .		<u>117,879</u>
BALANCE—Beginning of year, as restated . . . . .	\$955,437	835,621
Add (Deduct)—		
Net income . . . . .	234,034	216,058
Dividends of the Corporation—		
Preferred stock . . . . .	(31,434)	(18,763)
Common stock—\$.97½ and \$.87½ per share . . . . .	(60,838)	(47,513)
Dividends of companies prior to poolings of interests . . . . .	(6,693)	(29,966)
BALANCE—End of year . . . . .	<u>\$1,090,506</u>	<u>\$955,437</u>

**Consolidated Capital Stock and Capital Surplus** *for the year ended December 31, 1969*

Thousands of Dollars

	Capital Stock				Capital Surplus
	Cumulative Preferred Shares	Amount	Common Shares	Amount	
BALANCE—Beginning of year, as previously reported . .	6,537,600	\$372,637	59,059,251	\$59,059	\$388,613
Add—Restatement for companies added through poolings of interests in 1969 . . . . .	<u>3,238,559</u>	<u>120,818</u>	<u>4,771,232</u>	<u>4,771</u>	<u>(4,579)</u>
BALANCE—Beginning of year, as restated . . . . .	9,776,159	493,455	63,830,483	63,830	384,034
Add (Deduct)—					
Issues under employees' stock option and purchase plans . . . . .	16,949	1,651	826,639	827	31,148
Conversions of debt and preferred stock . . . . .	(60,136)	(5,986)	511,920	512	15,629
Issue for net assets of company acquired . . . . .	—	—	200,000	200	9,800
Redemptions through retirement fund . . . . .	(1,711)	(171)	—	—	—
Expenses in connection with the issuance of capital stock . . . . .	—	—	—	—	(4,390)
Transactions of companies prior to poolings of interests . . . . .	<u>1,564</u>	<u>262</u>	<u>2,176</u>	<u>2</u>	<u>—</u>
BALANCE—End of year . . . . .	<u>9,732,825</u>	<u>\$489,211</u>	<u>65,371,218</u>	<u>\$65,371</u>	<u>\$436,221</u>

*The accompanying notes to financial statements are an integral part of the above statements.*



**Long-Term Debt** *as of December 31, 1969*

Thousands of Dollars

## INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION—

4 $\frac{7}{8}$ % Promissory Notes, due 1970-84 . . . . .	\$ 47,500
4.90% Sinking Fund Debentures, due 1970-87 . . . . .	39,723
5 $\frac{1}{4}$ % Promissory Notes, due 1970-76 . . . . .	12,000
5 % Installment Notes, due 1970-72 . . . . .	10,051
4 % Convertible Subordinated Notes, due 1985 . . . . .	5,000
6 $\frac{1}{2}$ % Installment Notes, due 1970-72 . . . . .	5,000
5 $\frac{7}{8}$ % Senior Notes, due semi-annually 1970-80 . . . . .	4,600
5 $\frac{1}{4}$ % Convertible Subordinated Notes, due semi-annually 1971-75 . . . . .	3,935
Other . . . . .	3,044
	<u>130,853</u>

## SUBSIDIARIES CONSOLIDATED—

Payable in—U.S. Dollars—6.1 % * . . . . .	\$819,314	
English Pounds—7.3 % * . . . . .	91,000	
German Deutschmarks—6.8 % * . . . . .	88,274	
Swiss Francs—4.2 % * . . . . .	44,092	
Other currencies . . . . .	66,782	1,109,462
		<u>1,240,315</u>
Less—Amounts due within one year (included in current liabilities on balance sheet) . . . . .		94,932
Total long-term debt . . . . .		<u>\$1,145,383</u>

\* *Average interest rates.***Cumulative Preferred Stock** *as of December 31, 1969*

Thousands of Dollars

Authorized 50,000,000 shares, without par value. Outstanding in series (liquidation preference \$100 per share aggregating \$973,283).

<u>Issue</u>	<u>Shares</u>	<u>Stated Value</u>
Non Convertible (indicating current redemption price per share):		
\$5.25 Series (\$105.25) . . . . .	36,000	\$ 3,600
\$5.25 Series B (\$105.25) . . . . .	27,002	2,700
\$5.50 Series L (\$105.00) . . . . .	128,000	12,800
\$6.00 Series M (\$105.00) . . . . .	39,134	3,913
Convertible (indicating shares of common stock into which each share is convertible):		
\$4.00 Convertible Series (3.40) . . . . .	8,030	803
\$4.00 Convertible Series B (3.40) . . . . .	37,136	3,714
\$4.00 Convertible Series C (3.37) . . . . .	64,246	6,425
\$4.00 Convertible Series D (3.33) . . . . .	171,431	17,143
\$4.00 Convertible Series E (3.08) . . . . .	189,539	18,954
\$4.00 Convertible Series F (2.86) . . . . .	156,245	15,625
\$4.00 Convertible Series H (1.82) . . . . .	568,051	56,805
\$4.50 Convertible Series I (1.64) . . . . .	2,149,084	42,028
\$4.00 Convertible Series J (1.63) . . . . .	1,000,000	100,000
\$4.00 Convertible Series K (1.56) . . . . .	5,158,927	204,701
TOTAL . . . . .	<u>9,732,825</u>	<u>\$489,211</u>

The accompanying notes to financial statements are an integral part of the above statements.



## Notes to Financial Statements

### Principles of Consolidation

The consolidated financial statements include the accounts of all significant majority-owned subsidiaries except the finance subsidiaries. The investments in the finance subsidiaries are carried at an amount equivalent to the equity in their underlying net assets. Combined financial statements for these finance subsidiaries are presented on page 41.

The consolidated financial statements include retroactively the accounts of, or the equity in, and shares issued in exchange for, companies added through poolings of interests during 1969, including Canteen Corporation and Grinnell Corporation.

Approximately 55% of consolidated net income for 1969 represents earnings of United States and Canadian operations. A general grouping of net assets as of December 31, 1969 by principal operations and location is shown on page 40.

### Foreign Exchange

Procedures followed in translating accounts of foreign subsidiaries into terms of U.S. dollars were consistent with those of preceding years. Net assets are translated, generally, at the applicable rates of exchange in effect at the year-end except for property and investment accounts which are translated at historic rates of exchange. Income accounts are translated, generally, at the average rates of exchange prevailing during the year, except for provisions for depreciation which are translated on the basis of the U.S. dollar equivalents of the related net asset accounts. Foreign exchange gains or losses, including those arising from translation of net assets at year-end, have been included in consolidated net income, except for the extraordinary loss in 1969 on the devaluation of the French Franc, amounting to \$2,317,000 after net gain on forward exchange contracts, which has been charged to the reserve for foreign operations.

### Inventories

Inventories are stated, generally, at the lower of cost (first-in, first-out) or market. Inventories include substantial amounts of costs accumulated under firm electronic equipment orders and defense contracts, less applicable progress payments. Inventories also include \$168,029,000 and \$99,175,000 at December 31, 1969 and 1968, respectively, of land and houses under development.

### Capital Stock

At December 31, 1969, a total of 147,618 shares of the authorized and unissued Cumulative Preferred Stock and 3,323,256 shares of Common Stock were reserved for conversion or exchange of \$195,313,000 principal amount of debt of the Corporation and its subsidiaries. In addition, 16,213,859 shares of Common Stock were reserved for conversion of outstanding shares of Cumulative Preferred Stock and 360,954 shares of Common Stock were reserved for conversion of shares of

Cumulative Preferred Stock which could be issued on conversion or exchange of debt securities, or exercise of substitute stock options.

A maximum of 868,644 shares of Common Stock were reserved for conversion of shares of preferred stock of subsidiaries.

Under terms of the agreements covering the acquisition of certain subsidiaries, a maximum of 253,329 shares of Common Stock were reserved for possible future issuance.

A maximum of 174,954 shares of Common Stock and 5,847 shares of Cumulative Preferred Stock were reserved for issuance in connection with outstanding warrants of subsidiaries acquired.

The Corporation and Hartford Fire Insurance Company have agreed on terms of a merger, which has been approved by the stockholders of both companies. The transaction involves the issuance by the Corporation of a maximum of approximately 22,000,000 shares of Cumulative Preferred Stock, \$2.25 Convertible Series N, each such share being convertible into 1.25 shares of the Corporation's Common Stock for three years and into 1.20 shares thereafter; a maximum of 27,500,000 shares of Common Stock to be reserved for conversion of such Preferred Stock. In December, 1969, the Insurance Commissioner of the State of Connecticut issued an order under provisions of the Insurance Law of Connecticut disapproving the proposed merger on the stated ground that it is not in the best interest of the stockholders of Hartford. The Corporation has announced that it will initiate steps to make a voluntary exchange offer to all Hartford stockholders on the same terms as the proposed merger. This voluntary exchange offer would be conditioned upon 95%, or such lesser percentage as shall be acceptable to the Corporation, of Hartford outstanding shares being tendered for exchange. Such an exchange offer would require approval of the Insurance Commissioner of the State of Connecticut.

As contemplated by a ruling of the Internal Revenue Service concerning the non-taxability of the proposed merger with Hartford, the Corporation sold its investment in Hartford during 1969. The sales price of the Hartford shares, which was substantially at the Corporation's cost, is subject to adjustment until June, 1971 depending upon certain settlement options under the terms of the contract of sale. The proceeds from the sale (\$88,809,000) are included in Other Assets at December 31, 1969 since they are restricted as to withdrawal under the provisions of the contract.

### Stock Options and Incentive Purchase Plan

Under the Corporation's several Stock Option Incentive Plans, shares of Common Stock have been made available for options to employees of the Corporation and its subsidiaries. Options granted are exercisable to the extent of one-third of the optioned shares after two years, to the extent of two-thirds after three years and in full after four years, but not after five years



from date of grant. The price for the shares covered by each option is 100% of the fair market value on the date such option is granted.

A summary of shares subject to options during the year 1969 is shown below:

Balance, January 1, 1969 . . .	1,051,331	
Add—Options granted at \$48.50 to \$57.75 per share . . .	521,400	
	<u>1,572,731</u>	
Deduct—		
Options exercised at \$26.54 to \$58.06 per share . . .	202,119	
Options cancelled . . .	<u>73,574</u>	<u>275,693</u>
Balance, December 31, 1969 . .	<u>1,297,038</u>	

At December 31, 1969, a total of 286,630 shares were available for future option grants.

As part of the poolings of interests with several companies, the Corporation has also granted options to purchase shares of the Corporation's Cumulative Preferred Stock and Common Stock as substitutes for stock options held by employees of those companies. The Substitute Stock Options were granted for the number of shares of Cumulative Preferred Stock and Common Stock which generally would have been issued in respect of the optioned shares of such companies had they been outstanding at the dates of the poolings of interests. A summary of shares subject to these options during the year 1969 is shown below:

	Cumulative Preferred Stock	Common Stock
Balance, January 1, 1969 . . .	59,566	194,904
Add (Deduct)—		
Options granted . . . . .	4,892	6,808
Options exercised . . . . .	(16,949)	(75,656)
Options cancelled . . . . .	<u>(1,058)</u>	<u>(3,078)</u>
Balance, December 31, 1969 . .	<u>46,451</u>	<u>122,978</u>

Under the Career Executive Incentive Stock Purchase Plan adopted in 1967, 1,800,000 shares of Common Stock may be sold to employees of the Corporation and its subsidiaries. The purchase price per share is not less than the higher of book value of such shares at the end of the preceding year or 50% of the market value on the date such shares are offered to the employee. Shares sold under this plan are restricted as to sale or disposition by the employee with such restrictions lapsing from time to time as to portions of the shares purchased as the employee's service continues. If the employee terminates employment before the restrictions on the shares are removed, the shares are to be sold to the Corporation at the original purchase price. During 1969, 812,572 shares were sold to employees

at prices ranging from \$24.00 to \$30.00 per share. The shares sold to employees are recorded at fair market value and the excess of the fair market value over the sales proceeds is being charged to expense over the employees' remaining periods of employment. At December 31, 1969, a total of 760,246 shares were available for sale to employees.

#### Pension Plans

The Corporation and some of its subsidiaries have in effect individual pension plans which are generally non-contributory for the employee and provide for various types of retirement and death benefits. The companies provide for costs of such plans in accordance with actuarial determinations and the costs applicable to past service at the time of adoption or modification of the plans are amortized over a period of years, the maximum being forty years. The total pension expense amounted to \$47,474,000 for 1969 and \$37,079,000 for 1968. In the case of funded plans, the companies deposit the amounts provided with trustees. For substantially all plans at December 31, 1969, the total of pension funds and the accrued liabilities for pension obligations was in excess of the vested benefits.

#### Retained Earnings

Under the most restrictive provision of the Corporation's long-term debt agreements, \$31,688,000 of the Corporation's retained earnings of \$89,536,000 are unrestricted as to the payment of dividends.

The undistributed earnings of subsidiaries consolidated should not be understood to be immediately available for payment of dividends since the retained earnings of some subsidiaries are subject to certain restrictions on the amount of dividends that may be paid and to foreign taxes payable on declaration of dividends.

#### Income Taxes

The effective income tax rates for 1969 and 1968 differ from statutory rates principally as a result of (1) inclusion of equity in finance subsidiaries on an after-tax basis, (2) lower tax rates applicable to certain foreign income and capital gains, and (3) investment credits allowed by U.S. and foreign governments.

Deferred income taxes (arising principally from using accelerated depreciation for income tax purposes and straight line depreciation for financial reporting purposes), represents the cumulative difference between provisions for income taxes charged against consolidated income and amounts paid or estimated to be payable. The net deferred tax so provided for 1969 and 1968 amounted to \$14,100,000 and \$14,713,000 respectively.

#### Earnings Per Share

Earnings per common and common equivalent share are based on the average number of shares outstanding during each year, after giving effect retroactively to shares issued in ex-



**Notes to Financial Statements** *(continued)*

change for companies added through poolings of interests and to those outstanding securities, stock options and warrants which are deemed to be common stock equivalents with a dilutive effect. Securities considered as common stock equivalents with a dilutive effect are the \$4.00 Convertible Series H, J and K and the convertible preference stock of a subsidiary in 1968 and 1969 and the \$4.50 Convertible Series I and certain convertible debentures of subsidiaries in 1969. With respect to options and warrants, it has been assumed that the proceeds have been used to acquire capital stock of the Corporation.

Earnings per common share assuming full dilution gives effect to conversion as of the beginning of each year or date of issue if later of all convertible securities which would have a dilutive effect.

**Commitments and Contingencies**

At December 31, 1969, the Corporation and its subsidiaries consolidated were obligated under long-term lease contracts expiring on varying dates to the year 2068 with aggregate annual rentals of approximately \$55,000,000.

The Corporation and its subsidiaries consolidated, in accord-

ance with continuing operating arrangements, have guaranteed borrowings of wholly-owned finance subsidiaries of approximately \$16,000,000 at December 31, 1969, and are contingently liable for receivables discounted of approximately \$115,000,000.

In connection with the mergers of Canteen Corporation and Grinnell Corporation with wholly-owned subsidiaries of ITT in 1969, the United States Government instituted separate suits asserting that these transactions violated Section 7 of the Clayton Act. The complaints request divestment of the acquired companies whose operations represent approximately 10% of consolidated sales and net income in 1969. Pending final adjudication of the litigation, ITT has agreed that it will maintain the Canteen and Grinnell businesses completely separate and independent from the other businesses of ITT. The Corporation believes that the acquisitions do not violate any Federal statute and intends to assert a vigorous defense.

The ultimate liability with respect to other guarantees, pending lawsuits, taxes, claims, etc., is not considered to be material in relation to the financial position of the Corporation and its subsidiaries consolidated.

**General Grouping of Net Assets** *as of December 31, 1969*

Thousands of Dollars

	<u>Consolidated</u>	<u>Manufacturing</u>	<u>Consumer and Business Services</u>	<u>Telecom- munication Utilities</u>
<b>ASSETS</b>				
Current Assets . . . . .	\$2,313,558	\$1,628,453	\$ 607,708	\$ 77,397
Investments, Deferred Receivables and Other Assets . . . . .	667,551	254,518	351,201	61,832
Plant, Property and Equipment . . . . .	3,498,244	1,786,677	1,044,175	667,392
Accumulated Depreciation . . . . .	(1,286,766)	(766,025)	(384,881)	(135,860)
	<u>5,192,587</u>	<u>2,903,623</u>	<u>1,618,203</u>	<u>670,761</u>
<b>LIABILITIES</b>				
Current Liabilities . . . . .	1,540,747	942,031	400,156	198,560
Reserves and Deferred Liabilities . . . . .	341,987	249,045	55,370	37,572
Long-Term Debt . . . . .	1,145,383	528,518	400,733	216,132
Minority Equity in Subsidiaries Consolidated . . . . .	83,161	47,585	15,046	20,530
	<u>3,111,278</u>	<u>1,767,179</u>	<u>871,305</u>	<u>472,794</u>
<b>NET ASSETS</b> . . . . .	<u>\$2,081,309</u>	<u>\$1,136,444</u>	<u>\$ 746,898</u>	<u>\$197,967</u>
<b>NET ASSETS EMPLOYED</b>				
United States and Canada . . . . .	\$1,427,061	\$ 675,622	\$ 677,171	\$ 74,268
Foreign . . . . .	654,248	460,822	69,727	123,699
	<u>\$2,081,309</u>	<u>\$1,136,444</u>	<u>\$ 746,898</u>	<u>\$197,967</u>

*The accompanying notes to financial statements are an integral part of the above statement.*



## ITT Finance Subsidiaries

### Combined Balance Sheets as of December 31, 1969 and 1968

Thousands of Dollars

	1969	1968*
<b>ASSETS</b>		
Cash . . . . .	\$ 79,418	\$ 47,335
Notes and installment obligations receivable, (\$52,885 and \$58,738 pledged to secure short-term obligations) net of unearned income and reserves—		
Affiliated companies . . . . .	73,246	59,227
Other customers . . . . .	604,220	484,284
Investments in insurance companies, at cost plus undistributed earnings . . . . .	41,623	24,448
Investments in property, leased to affiliated companies . . . . .	13,232	13,462
Other assets . . . . .	38,967	23,883
	<u>\$850,706</u>	<u>\$652,639</u>
<b>LIABILITIES</b>		
Bank loans and other short-term obligations . . . . .	\$441,746	\$299,313
Accounts payable and accrued liabilities . . . . .	28,664	21,913
Long-term debt, due 1971-87—average interest rate 5.9% . . . . .	185,766	190,414
	<u>656,176</u>	<u>511,640</u>
<b>ITT EQUITY</b>		
Subordinated debt and advances . . . . .	57,554	35,153
Capital stock and capital surplus—increase in 1969 attributable to capital contributions (\$10,918) and companies acquired (\$9,890) . . . . .	88,759	67,951
Retained earnings—\$20,211 restricted as to payment of dividends . . . . .	48,217	37,895
	<u>194,530</u>	<u>140,999</u>
	<u>\$850,706</u>	<u>\$652,639</u>

### Combined Income and Retained Earnings for the years ended December 31, 1969 and 1968

Thousands of Dollars

<b>INCOME (including \$8,330 and \$7,744 from affiliated companies)</b>		
Interest . . . . .	\$ 89,263	\$ 67,326
Commissions . . . . .	5,027	4,785
Rentals and other income . . . . .	6,916	5,673
	<u>101,206</u>	<u>77,784</u>
<b>EXPENSES</b>		
Interest . . . . .	41,673	27,621
Administrative expenses, etc. . . . .	47,504	38,527
U.S. and foreign income taxes . . . . .	6,031	5,330
	<u>95,208</u>	<u>71,478</u>
	5,998	6,306
Equity in net earnings of insurance companies . . . . .	8,362	4,766
<b>NET INCOME</b> . . . . .	14,360	11,072
Add—Retained earnings at beginning of year . . . . .	37,895	31,492
(Deduct)—Dividends . . . . .	(4,038)	(4,669)
<b>RETAINED EARNINGS at end of year</b> . . . . .	<u>\$ 48,217</u>	<u>\$ 37,895</u>

\*1968 restated to include the accounts of a company added through a pooling of interests.



## Auditors' Report

### ARTHUR ANDERSEN & CO.

To The Stockholders,  
International Telephone and Telegraph Corporation:

We have examined the consolidated balance sheets of International Telephone and Telegraph Corporation (a Delaware corporation) and subsidiaries consolidated as of December 31, 1969 and 1968, the combined balance sheets of the ITT Finance Subsidiaries as of such dates, the related statements of consolidated and combined income and retained earnings for the years then ended and the statement of consolidated capital stock and capital surplus for the year ended December 31, 1969. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain confirmation of receivables from certain governments; however, we have applied other auditing procedures as to such receivables. We did not examine the financial statements of certain subsidiaries included in the accompanying statements, but we were furnished with reports of other auditors thereon.

In our opinion, based upon our examinations and the reports of other auditors referred to above, the accompanying financial statements present fairly the financial position of International Telephone and Telegraph Corporation and subsidiaries consolidated and of the ITT Finance Subsidiaries as of December 31, 1969 and 1968, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

*Arthur Andersen & Co.*

New York, N.Y.  
March 3, 1970.



## Ten-Year Summary\*

(Dollar amounts in thousands except per share figures)

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
<b>Results for Year</b>										
Sales and revenues . . .	\$5,474,743	4,066,502	2,760,572	2,121,272	1,782,939	1,542,079	1,414,146	1,090,198	930,500	811,449
U. S. and foreign taxes . . . . .	\$ 380,593	290,436	204,069	162,179	135,615	120,034	87,345	65,812	54,133	50,266
Income before extraordinary items . . . .	\$ 234,034	180,162†	119,221†	89,910	76,110	63,164	52,375	40,694	36,059†	30,570†
Per common share . . . . .	\$ 2.90	2.58	2.27	2.04	1.79	1.55	1.35	1.21	1.09	.98
Return on stockholders' equity . . . . .	11.8%	12.2%	11.7%	11.5%	10.8%	9.9%	9.1%	8.6%	8.0%	7.4%
Dividends per common share . . . . .	\$ .97½	.87½	.77½	.69¾	.61¾	.55	.50	.50	.50	.50
Gross plant additions . . . . .	\$ 513,200	362,069	238,141	168,049	145,629	119,336	123,241	114,584	105,311	66,809
Provision for depreciation . . . . .	\$ 190,197	158,333	116,120	73,875	63,737	50,713	39,378	30,763	31,341	25,066
R & D expenditures . . . . .	\$ 236,000	210,000	210,000	220,000	182,000	174,000	170,000	150,000	131,000	126,000

## Year-End Position

Net current assets . . . . .	\$ 772,811	672,567	528,713	318,957	367,012	308,055	333,849	296,155	268,422	269,324
Plant, property and equipment (net) . . . . .	\$2,211,478	1,835,793	1,305,829	895,438	789,849	668,240	572,469	462,323	391,347	288,461
Total assets . . . . .	\$5,192,587	4,022,400	2,961,172	2,360,435	2,021,795	1,668,853	1,469,168	1,235,781	1,088,310	923,944
Long-term debt . . . . .	\$1,145,383	931,772	744,675	433,834	428,134	309,795	293,408	266,815	182,509	148,478
Stockholders' equity . . . . .	\$2,081,309	1,652,092	1,143,568	820,007	739,620	659,925	592,429	483,531	465,061	415,814
Stockholders' equity per common share . . . . .	\$ 16.88	16.83	17.39	16.78	15.69	15.06	14.29	14.11	13.76	13.26

## Year-End Statistics

Orders on hand (Manufacturing) . . . . .	\$1,910,000	1,529,000	1,257,000	1,233,000	1,140,000	1,004,000	917,000	778,000	731,000	623,000
Shares of common stock outstanding (thousands) . . . . .	65,371	59,059	49,940	42,168	40,530	38,720	36,924	33,258	32,750	31,362
Stockholders . . . . .	213,000	185,184	130,671	109,203	106,298	104,413	100,269	92,362	94,719	87,818
Employees . . . . .	353,000	293,000	236,000	204,000	199,000	185,000	173,000	157,000	149,000	132,000

\* The above data are as reported in the ITT Annual Reports for the respective years, except that number of shares and per share amounts have been adjusted for 2-for-1 stock split effective January 26, 1968.

† Extraordinary credits in 1968, 1967, 1961 and 1960 amounted to \$12,242, \$3,539, \$7,620 and \$7,902, respectively.



Transfer Agents for Common Stock

Office of the Corporation, 320 Park Avenue, New York, N.Y. 10022

Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill. 60690

Dresdner Bank AG, Frankfurt-am-Main, Germany

Transfer Agent for Cumulative Preferred Stock

Office of the Corporation, 320 Park Avenue, New York, N.Y. 10022

Registrars for Common Stock

First National City Bank, New York, N.Y. 10015

Harris Trust and Savings Bank, Chicago, Ill. 60690

First National City Bank, Frankfurt-am-Main, Germany

Registrar for Cumulative Preferred Stock

First National City Bank, New York, N.Y. 10015

Trustee and Registrar for 4.90% Sinking Fund Debentures

Morgan Guaranty Trust Company of New York, New York, N.Y. 10015

Independent Auditors

Arthur Andersen & Co., 1345 Avenue of the Americas, New York, N.Y. 10019

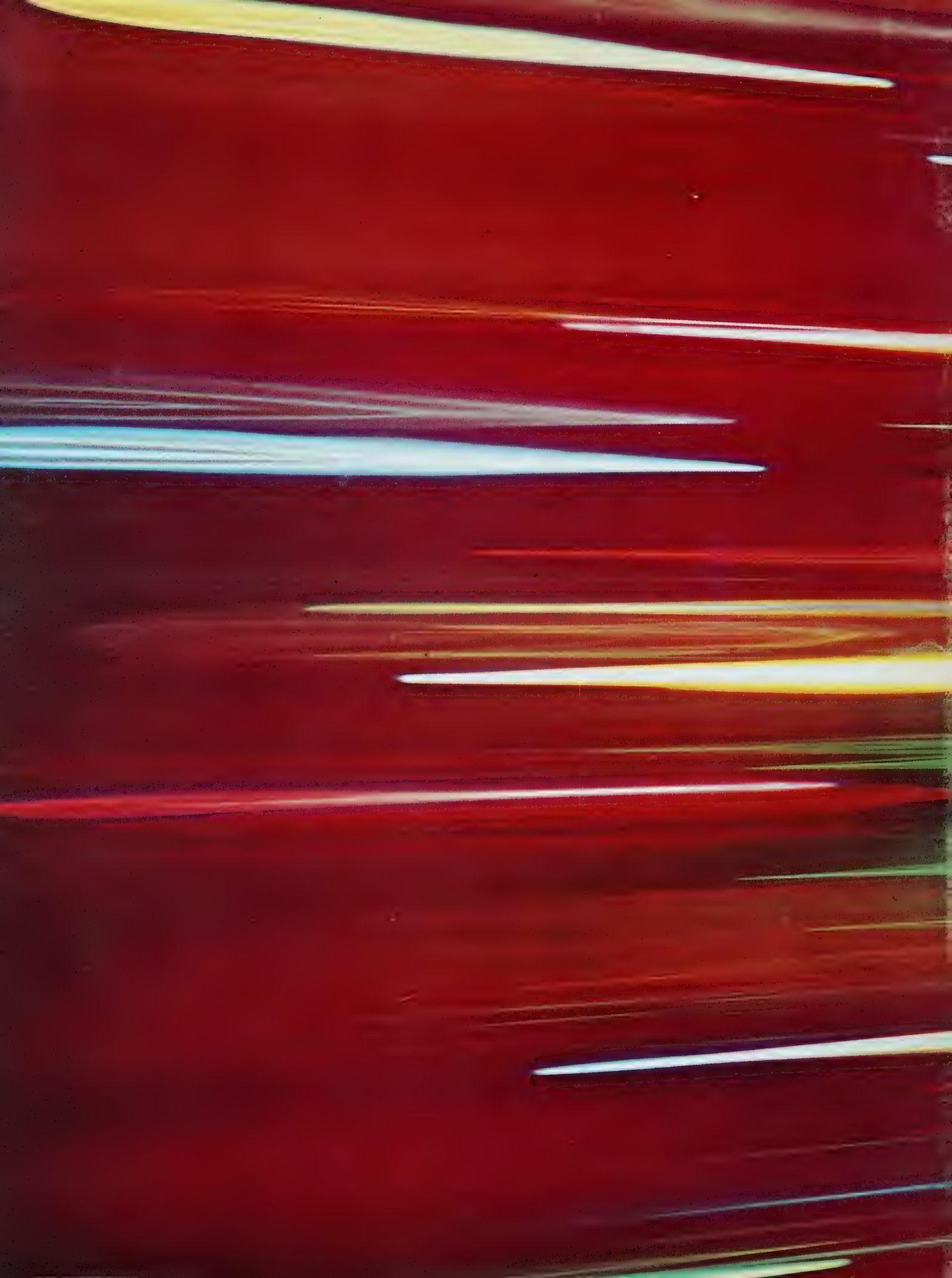
General Offices

320 Park Avenue, New York, N.Y. 10022











**PAINE  
WEBBER  
JACKSON  
& CURTIS**

MEMBERS NEW YORK STOCK EXCHANGE

**RESEARCH  
BULLETIN**

**AR36**

No. 145 - June 1968

**ITT**

(ITT - NYSE)

Recent Price.....57	Earnings Per Share 12/31/67.....\$2.27
Indicated Dividend....\$0.85	Earnings Per Share 12/31/68 Est...\$2.55
Approximate Yield.....1.5%	Price/Earnings Ratio (1968 Est.)...22.0

"Security Buyer's Guide" Classification: Capital Gains, Good Quality

IN OUR OPINION

ITT has changed substantially since Harold Geneen became president of the company in 1959. It is now a rapidly expanding, highly diversified business with sales approaching \$4-billion.

We believe that ITT has built a strong base for continued expansion well into the 1970s. And management's goal of increasing earnings per share at a minimum of 10% annually is a reasonable expectation.

At current levels, the common stock is attractive for good quality accounts seeking long-term appreciation. For accounts seeking more current income, a number of convertible preferreds are available.

WHAT IS ITT?

In the 1950s, ITT was basically a loosely controlled telecommunications company--with widely scattered international operations accounting for nearly 80% of earnings. Today, while maintaining its strong telecommunications position, ITT is a broad-based multi-industry organization.

In the 1959-67 period, sales rose from \$756-million to \$2.8-billion annually and net income was up from \$29-million to \$119-million. These increases have been achieved through internal growth and an aggressive acquisition program. By 1967 the more stable North American operations accounted for slightly over half of sales and earnings.

The following sales breakdown assumes consummation of the proposed Pennsylvania Glass Sand and Continental Baking mergers:

RESEARCH DEPARTMENT  
140 BROADWAY, NEW YORK 5  
ADDITIONAL INFORMATION  
ON ANY SECURITIES  
MENTIONED HEREIN IS  
AVAILABLE ON REQUEST

Copyright 1968 by Paine, Webber, Jackson & Curtis



	<u>1967 Sales</u> millions	
Manufacturing		
Telecommunications Equipment	\$ 800	23%
Technical Industrial Products	545	15
Components and Consumer Products	301	8
Defense and Space Programs	225	6
Consumer and Business Services	716	20
Utility Operations	174	5
Natural Resources*	182	5
Food (Continental Baking)**	621	18
	<u>\$3564</u>	<u>100%</u>

\* Added since 12/31/67.

\*\* Merger discussions announced.

Although widely diversified, there is a strong underlying bond in the corporate establishment. Basically, the company has put itself in a position to effectively employ favorable worldwide demographic patterns and rising standards of living. ITT's systems and technical ability should enable the company to capitalize on these economic trends as well as enabling it to instill new vigor into the more mature industries which it has acquired through acquisition.

#### "MANAGEMENT MUST MANAGE"

The essence of this multi-industry company is management. ITT has been structured along lines enabling the company to follow the dictum that "management must manage." When President Geneen assumed his responsibilities at ITT in 1959, there were only 450 individuals in executive capacities...now there are 1,600 executives...and the figure is expected to be about 2,000 at year end. As the record shows, this is truly a working management--no hierarchy of red tape.

ITT has shied away from the free-wheeling system which has resulted in unpleasant surprises in some conglomerates. Each month there are meetings in the U.S. and Europe attended by all senior managers. Each division prepares a profit and loss report which is significantly led off by a "Red Flag" or problem item (if any)--with emphasis on bringing out problems before they reach a critical stage.

#### PRODUCT LINE

While we believe that ITT will continue to pursue an aggressive acquisition policy, the company already offers strong growth potential. And there is a remarkable unity in the wide scope of its operations.

For example: ITT communications offer a worldwide hook-up with Sheraton Hotels which, in turn, have an obvious connection with Avis car rentals and APCOA parking lots.

Similarly, Levitt home builders can be connected with Rayonier's lumber operations and the environmental controls areas of the Technical



Industrial Products division. These interrelating aspects are coupled with the company's traditionally strong technical base.

### INTERNATIONAL BUSINESS

In the past, ITT has often been criticized for the size of its foreign interests. While acquisitions and domestic growth have diminished the relative importance of these relationships, they should continue to stand the company in good stead.

There is a tremendous drive by the less developed countries to raise their standards of living. The amount of "catching-up" that must be done has been vividly described by ITT's President Geneen when he compares relative per capita figures in the United States and the rest of the world. (He recently cited the fact that annual paper consumption of 160 pounds per person in Europe was 40 years behind the U.S.) ITT's broad number of products, many in basic areas, should be highly marketable overseas.

### EARNINGS

Management's clearly stated goal of increasing earnings per share by 10% a year is a reasonable, if not minimum, expectation... annual growth during the 1962-67 period has been at a rate of just under 13%. Future earnings appreciation should be realized through internal expansion, acquisitions and a gradual widening of profit margins. We also expect the return of stockholders' equity to continue its upward trend.

### STATISTICAL SUMMARY

	<u>Sales &amp; Revenues</u>	<u>Net Income</u>	<u>N.I./ Sales</u>	<u>Return on Stockholder Equity</u>	<u>Earnings Per Share</u>	<u>P/E Range</u>
1967**	\$2,760.6	\$119.2	4.32%	11.7%*	\$2.27	29-17
1966	2,121.3	89.9	4.24	11.5	2.04	20-14
1965	1,782.9	76.1	4.27	10.8	1.79	20-14
1964	1,542.1	63.2	4.10	9.9	1.55	20-17
1963	1,414.1	52.4	3.70	9.1	1.35	20-15

\* Before extraordinary items.

\*\* Includes retroactively Sheraton and Levitt.

### CAPITALIZATION (12/31/67) (000 omitted)

Long Term Debt.....	\$ 744,675	38.1%
Minority Equity In Subsidiaries		
Consolidated.....	63,503	3.3
Cumulative Preferred Stock.....	273,064	14.0
Common and Surplus.....	870,504	44.6
	<u>\$1,951,746</u>	<u>100.0%</u>

6/10/68 (hm)

Robert A. Sullivan, C. F. A.  
Paul B. Guenther



# PAINE, WEBBER, JACKSON & CURTIS

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HOUSTON, TEXAS 77002 Tennessee Bldg.	713-CA 7-1661	SPRINGFIELD, MASS. 01103 Third Nat. Bank Bldg.	413-RE 6-3671
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INDIANAPOLIS, IND. 46204 111 Monument Circle	317-ME 9-1371	VIRGINIA, MINN. 55792 108 S. Fifth Avenue	218-741-7744
KANSAS CITY, MO. 64105 111 W. Tenth Street	816-GR 1-8600	WASHINGTON, D. C. 20006 815 Connecticut Ave., N.W.	202-298-8700
LAWRENCE, KAN. 66044 Ninth & Tennessee Sts.	913-VI 3-0300	WICHITA, KAN. 67202 Wichita Plaza Bldg.	316-FO 3-5744
LONG BEACH, CAL. 90801 Locust at 4th	213-432-5933	WORCESTER, MASS. 01608 340 Main St.	617-PL 5-3171

\*Executive Offices, Institutional, Underwriting and Research Departments

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